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ABSTRACT

This 1993 study attempts to define the size and scope of state-wide economic activity generated by the arts in California. The analysis is based on data from surveys of nonprofit arts organization and five case studies. The case studies, which provided context for the core research, include examinations of: (1) artists in Los Angeles County; (2) the motion picture and television industry in California; (3) seven California festivals; (4) art and auto design in California; and (5) the manufacturing of musical instruments in California. Survey and case study findings indicate: (1) the economics of the nonprofit arts sector are robust, with $2.159 billion in economic activity and 115,153 jobs in 1993. (2) Los Angeles County artists are deeply involved in the community and arts as volunteers, contributors to charity, and participants in commercial and nonprofit art worlds, and have average incomes of $38,000 a year. (3) The motion picture and television industry employs a core staff of 50,000 Californians with average salaries of $80,000 in 1992. (4) Cultural tourism is a growth industry for the state with festivals being a strong attraction for tourism. For example, the Half Moon Bay Main Street Beautification Committee spent $70,000 on their Art and Pumpkin Festival and generated $10.5 million including $79,815 in local sales tax. (5) Art and auto design produces $47 million in business revenues and employs more than 400 people. (6) The manufacturing of musical instruments results in $75 million in wages and salaries by the $500 million industry. The arts are found to be a significant basis of California's economic strength. The report includes an "Executive Summary," charts, statistical tables, sample surveys, and acknowledgements. (MM)

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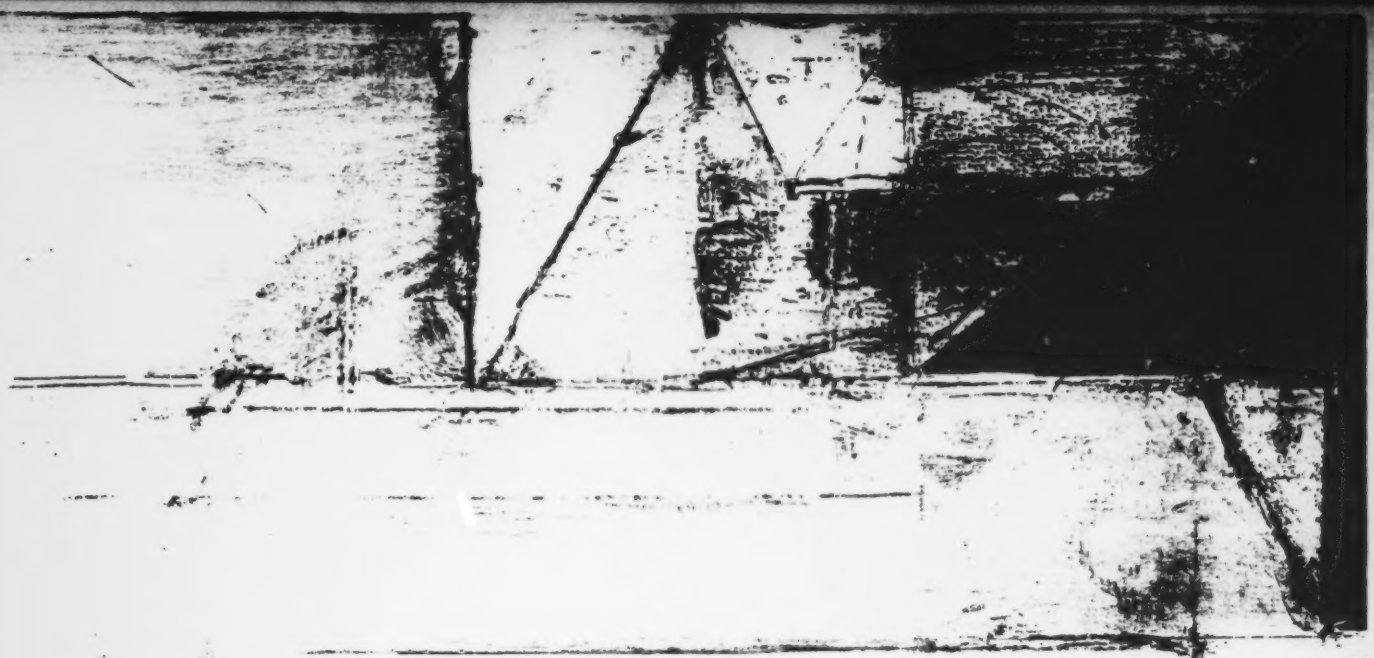

The Arts: A Competitive Advantage for California

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THE ECONOMIC IMPACT OF THE ARTS IN CALIFORNIA

Conducted by KPMG Peat Marwick LLP

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THE ARTS: A COMPETITIVE ADVANTAGE FOR CALIFORNIA

Prepared by
Policy Economics Group
KPMG Marwick LLP
Washington, D.C.

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CALIFORNIA ARTS COUNCIL

"The Arts: A Competitive Advantage for California" quantifies the nonprofit arts in terms of real spending, jobs and income for California. The nonprofit arts are a good investment returning $2.1 billion to the California economy and generating $77 million in state and local tax revenues.

There are compelling reasons far beyond economic ones to value the arts. But changing our understanding of the role of the arts to include their major economic impact expands our possibilities.

The findings of this study come from a conservative, thorough analysis and will be useful for those concerned about California's future and the arts. The work determines economic impacts and illustrates, through case studies, how creative resources prompt unique crossover of skill and talent from the nonprofit arts to other important sectors of the economy.

The study began with the imagination and energy of Joanne Kozberg, former Director of the California Arts Council, and it was a vision she shared with David Merritt of KPMG Peat Marwick LLP.

The core analysis was designed and seen through to completion by Dr. Richard Boykin and Dr. Stephen Pollock, both of whom devoted great skill and effort to the creation of this study.

The case studies are the work of contributors credited elsewhere in this final report. We are deeply grateful to each of them and to all who participated in the preparation of the entire report.

While in the past the arts have been viewed as a by-product of wealth, this report demonstrates that the arts, in the modern technologically-based economy of California, substantially generate new jobs, new industries and new prosperity.

California's leaders and diverse communities have long understood this relationship and have been supportive of the arts. This report confirms, in many measurable ways, that the arts repay their patronage and are a competitive advantage for California.

Sincerely,

ED C. CAZIER, Jr.
Chairman

BARBARA PIEPER
Director

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Executive Summary

Art does more than hang on a wall or bow before a curtain. Art interacts with an audience, changing society and changing with it.

California artists are deeply involved with the larger community from which they spring, and which they serve. The arts enrich our quality of life in California and are part of why we choose to live and work here.

The arts also enrich our state, and every Californian, in a much more tangible sense. The California Arts Council studied how the nonprofit arts contribute to California's economic growth and job creation. We found that nonprofit arts organizations add $2.159 billion to California's economy, create 115,000 jobs and generate $77 million in state and local tax revenues.

The Arts: A Competitive Advantage for California is an economic analysis of the nonprofit arts sector (organizations eligible for state grants) and was performed by the prestigious international public accounting firm of KPMG Peat Marwick LLP. The analysis was based on surveys undertaken by a Los Angeles market research firm, Facts Consolidated. This summary reports the major findings of the full report.

Highlights

The economic impact of the arts is substantial:

- Spending on the nonprofit arts directly and indirectly supports more than 115,000 California full-time and part-time jobs and adds $1 billion in income for the California economy.
- Nonprofit arts organizations receive $254.4 million in grants and donations. As a return on this investment, arts organizations and audiences generate more than $2 billion of spending in California.
- A conservative estimate shows that there were 24 million paid admissions to nonprofit California arts events in 1993, which generated spending close to $200 million in addition to tickets and admission fees.
- A survey of out-of-state visitors shows that the arts are a strong magnet for cultural tourists. Direct and indirect spending by such tourists was $288 million on in-state transportation and lodging, generating $158 million in income and 4,200 jobs.
- Nonprofit arts organizations add more than $77 million in state and local income and sales tax revenues for public services, ranging from schools to public safety.
- Seven arts festivals analyzed in this study generated an average of about $11 in economic activity for each $1 of cost. They generate business for local stores, restaurants and hotels.
- Automotive design is a $47 million business for California, with 16 major design studios employing more than 400 people on a full-time basis.
- A survey of people working in the arts in Los Angeles County shows that they earn an average of $38,000 a year and are involved in their communities (86 percent of them vote). The case study yields a healthy profile of people who contribute and volunteer in their communities far more than the average person.
- The 173,000 unpaid volunteers, who donate time and labor on behalf of nonprofit arts organizations, provide a measure of just how valued these institutions are in our communities.

Much of this data was gleaned from five case studies on how nonprofit arts organizations interact with industrial sectors ranging from motion pictures to automotive design. Of course, nonprofit arts, though a sizable sector, is a relatively small part of California's enormous total economy. But it is a small sector with a large impact. Nonprofits spur growth

and creativity in California's commercial sector, nurturing California's world-dominant position in communication, entertainment and technology.

Many other states have already measured the size of the arts as an economic sector and formulated the contributions they make in terms of jobs and state income. The accepted method for making this connection is to use an economic "multiplier," showing how dollars spent in one segment of the economy grow as they flow into other segments.

The California Arts Council and KPMG Peat Marwick LLP have constructed this study using customized multipliers based on conservative methodologies and utilizing best practices.[1]

Methodology

Any attempt to conduct an objective, quantitative study of something as subjective and loosely defined as "the arts" must begin with an orderly process and a commitment to rigorous analysis. To that end, the California Arts Council began by forming a steering committee of arts professionals and others from the film industry, the recording arts and sciences, from state and local government, as well as business and charitable foundations. Their responsibility was to oversee the planning, scope and results of the study.[2]

At the core of this report is a traditional economic impact analysis, based on in-depth surveys of mostly nonprofit organizations and the audiences they serve. Using accepted practices and reasonable assumptions, it defines the size and scope of economic activity generated by the arts.

KPMG Peat Marwick LLP agreed to provide the detailed design and to perform the core analysis, the "input-output" study. Having agreed on the best strategies for creating a reliable study, and on the pitfalls to guard against, the committee then attempted to define what constitutes "the arts industry" for purposes of the report.

Defining "The Arts Industry"

Within the scope of this study, the arts industry includes:

- Nonprofit, 501(c)(3) institutions, including museums, galleries, theaters, music and dance companies, performing spaces, public radio and television, film and video production, literary magazines, arts service organizations and associations (including local arts agencies), and arts education organizations.
- Festivals, including major music, visual arts, quality crafts and multicultural festivals.[3]
- Some commercial arts organizations including theaters, as well as presenters who provide the space, local technical support and promotion for arts groups on tour in California. These made up less than one percent of the sample.

Care was taken to ensure that small, medium and large organizations were represented, as well as culturally specific and multicultural organizations. As noted, commercial arts were not the focus of our surveys, although industry-wide information on the magnitude of their respective economic impacts is woven throughout this report.

Surveys

Two extensive surveys on the nonprofit arts were created. One was designed for the arts organizations themselves, to learn about their income, payrolls and expenses. The other was designed to sample the respective audiences and patrons of these organizations.

Two analytical limitations were recognized from the start. The core study would necessarily represent a static view of a large, but nonetheless limited, portion of the arts world, the nonprofit sector. It could not directly address the relationship between the nonprofit arts community and the growth of new technologies and businesses in California, or the acknowledged symbiosis of nonprofit arts with the

entertainment, television and film industries. Furthermore, an analysis using random-sampling does not permit us to focus on particular audience segments.

Efforts were made in the study to ensure that both organizations and audiences reflected the diversity of the community. Eighty-four of the responding organizations can be identified with one or more specific cultures. About 10 percent of the audience in the sample associated themselves with a specific cultural group. Multicultural organizations alone spend $53.7 million and employ more than 4,000 Californians.

Case Studies

Five case studies were undertaken to provide additional context and to further amplify the numbers in the core research. The case studies include:

The Artist in Los Angeles County

This study explores how a variety of people working in the arts — from lone painters and potters to writers, musicians and actors — are deeply involved with the communities in which they live and the industries they help shape. Some 50 percent are volunteers; 74 percent contribute to charity.

The sample also shows that artists in Los Angeles County have average incomes of $38,000 a year. We not only found that artists have higher incomes; 35 percent of artists surveyed in Los Angeles also hire or contract 10 or more people. Artists choose a place to live and work that is conducive to creative work; that is why 89 percent of those surveyed cite the opportunities for creative work as the key factor in their decision to live and work in Los Angeles County.

At least one in four works in both the commercial and nonprofit worlds. And virtually all have benefited from education, training, interaction with, and inspiration from, nonprofit arts activities.

The Motion Picture and Television Industry in California

The case study finds that California's most visible industry is also the one that relies most clearly on the skill and energy of artistic expression. This case study estimates the economic impact generated by film, television and commercial production, a $23.6 billion business nationwide with at least $13.5 billion of in-state expenditures, annual California salaries and wages at about $3.7 billion, and an estimated total employment of 164,000, including a core staff of 50,000 Californians.* In addition, these jobs pay very well, with the average individual salary at more than $80,000 in 1992.

The motion picture and television industry, while firmly centered in Los Angeles, is a matter of statewide interest. Most California counties have at least one motion picture or television establishment; the motion picture and television industry is especially growing in the San Francisco Bay Area as "high-tech" industries merge with traditional film-making.

A Case Study of Seven California Festivals

This study looks at the arts as a rich and vibrant part of the economic and cultural life of rural communities and urban, often inner-city, neighborhoods.

This study finds that cultural tourism is becoming a growth industry for the state, with festivals attracting visitors from out of region, and from out of state, adding travel revenues to local economies, and providing employment for thousands of self-employed artists across the state. (Of the visitors who attended seven festivals around California, most reported that the festival was the important reason that attracted them to a community.) The economic benefits to communities can be great. For example, the Half Moon Bay Main Street

Beautification Committee spent $70,000 on their Art and Pumpkin Festival, generating $10.5 million, including $79,815 in local sales tax.

Festivals also promote cross-cultural understanding. El Día de los Muertos, a fair in Los Angeles, attracted a very diverse audience to participate in this traditional Mexican celebration.

Art and Auto Design in California

This study details how the imaginative and the practical merge in a $47 million business for California. This study surveyed the 16 major design studios in the state that employ more than 400 people. The first such studio, opened by Toyota in the 1970s, was located in California to be near a nonprofit arts institution — Pasadena's Art Center College of Design.

Musical Instruments:
A California Manufacturing Industry

This case study uses one facet of the creative arts to show how it works horizontally to mold and shape a manufacturing industry that spends $75 million on wages and salaries. The design and manufacture of musical instruments, along with accompanying electronics and accessories, is a $500 million industry in the state. This is one example of a highly profitable industry based on a popular art supported by hobbyists as well as professional musicians.

The Unmeasured Effects

Future studies might attempt to quantify the economic impact of all artistic media, including commercial television and radio. The Individual Artist case study surveys people working in the arts in California's largest county; a future study could perform the same survey on a statewide basis, or in California's five largest metropolitan areas. Future studies could also examine more deeply the role of graphic arts, or do greater justice to the arts by discipline: dance, theater, literature, the visual arts and design, media, music, as well as arts service and arts organizations like museums, operas and ballet. Likewise, future studies might explore the impact of individuals with arts education in their backgrounds and how it affects the workforce of California.

But even with the resources to conduct such a comprehensive study, a margin of uncertainty would still be unavoidable; some important values are simply hard to measure in dollars. For those who would like more certainty, it is important to note that just as some uncertainties may lead us to overestimate the economic impact of the arts, others cause us to grossly underestimate their impact.

One reason for this can be seen in our nomenclature. We call the arts a "sector" because arts activities transcend and transform whole industries. This transformation occurs because of "creative multipliers" that talented people take with them to every job, in every industry, in which they work.

This study demonstrates the extreme labor mobility of artists. More than half of the artists we surveyed in Los Angeles County, 53 percent, work exclusively in the for-profit sector. Yet another 24 percent work for both the profit and nonprofit sectors. Over the course of a lifetime, it is likely most will work in both arenas.

At the nonprofit Art Center College of Design, fine arts majors work adjacent to students modeling futuristic car designs in clay, and stylish perfume bottles in glass. Art Center students have designed logos and shapes of aluminum soda cans, monsters for movie blockbusters, computer-generated art for multimedia, and a medical ultrasound scanner in liquid lines reminiscent of a Brancusi. Typical resumes of Art Center graduates describe:

- A "conceptualist" for *Blade Runner* and *2010 Odyssey*, who serves as the transportation and product designer for major car manufacturers.
- An Academy Award nominee who worked on *Jurassic Park*, *Star Trek IV* and *Back to the Future*, and now works as a designer for a major manufacturer of sporting goods.
- A design consultant for the 1984 summer Olympics in Los Angeles, who also served as a corporate design consultant to a Fortune 500 oil company, and shares his knowledge as a professor.

Creative multipliers were at work when Toyota chose to locate its design studio in Southern California to be near Art Center graduates. Creative multipliers between the for-profit and nonprofit sectors can also be found in musicians, many of whom play their instruments for the sheer pleasure of it, creating enough demand in California's musical instrument manufacturing industry to generate more than 2,000 jobs.

Creative multipliers are also at work in a sector many economists are according new respect as an essential distributor of market information: Advertising. California is "the country's creative hotbed," says Jim Smyth, executive director and owner of the industry's Clio Awards. As California becomes the nation's center of advertising, artists add immeasurable value to the state's economy.[5]

So no less important than the impact of the nonprofit arts is an understanding of its powerful, but difficult to measure, symbiosis with the commercial sector. It is not unusual for artists to cross markets, cross regions and entire industries. Often, these artists were developed and sharpened in nonprofit institutions. The nonprofit sector, in essence, acts as a research and development arm for California motion picture and television, design, advertising, media and the new emerging multimedia industries.

The Bottom Line

Audience and organizational surveys reveal a wealth of reliable data that shows that the economics of the nonprofit arts sector are surprisingly robust.[6]

Even with the very conservative economic multipliers used in this study, the nonprofit arts industry can be credited with $2.159 billion in economic activity and 115,153 jobs in 1993.

We found, too, that California's nonprofit arts are larger than many manufacturing industries. In terms of a direct investment, they represent an economic asset other states would welcome.

The arts are a competitive advantage for California. They further define and enhance the creative genius and character of California. The creative resources in the state maintain cutting edge quality and establish a basis for economic strength.

The arts are a significant foundation on California's gold trail into the next century.

NOTES

1 KPMG Peat Marwick LLP employed California-specific methodology, customized for an arts sector that is highly seasonal, employs many part-time workers and utilizes volunteer labor. The result was a multiplier of 2.4, slightly lower than the standard economic multiplier of 2.5.

2 See list of Steering Committee Members, forward.

3 For the purpose of this report, multicultural is defined as any artist or arts organization deeply rooted in or reflective of a specific culture or a number of cultures, such as African-American, Alaskan-American, Asian, Latino, Native-American, Pacific Islander, or other ethnic communities. These concepts embrace both "culturally specific organizations" and "cross-cultural organizations." A group dedicated to the Japanese Taiko Dan, a Japanese drum ensemble, would be an example of the former; an Asian Pacific museum with Japanese, Chinese, Filipino, Korean art, etc., would be an example of the latter.

4 Unemployment insurance (UI) employment figures indicate that motion picture and television industry employment reached 60,000 in 1990, dropping to 46,000 in 1992. Recent upward trends in motion picture and television employment indicate that direct employment in the film industry is nearing the 1990 level.

It is important to note that the UI employment data greatly understate the full impact of the motion picture and television industry on employment in California. Motion picture and television producers are known to rely heavily on temporary employees provided on contract with firms not necessarily classified in SIC 7812.

The recent study by the Alliance of Motion Picture and Television Producers estimates current employment in "motion picture, television and commercial production" to be comprised of 52,000 staff, 95,000 freelance, and 17,000 specialized suppliers, for a total of 164,000. The 1992 established employment figure of some 46,000 is roughly comparable to the 52,000 staff figure.

5 "The eyes of the ad world were focused on the West Coast over the weekend, as the 35th Annual Clio Awards ceremony snubbed New York City for the first time and held the 'Oscars of Advertising' ceremony in San Francisco... 'This is the country's creative hotbed,' said Jim Smyth, executive director and owner of the Clio Awards, who noted that the ceremony will return to San Francisco next year." *The Los Angeles Times*, June 13, 1994.

6 The surveys on which the analysis was based was performed from September, 1993, through March, 1994. The winter is not a peak season for arts events, so these findings are in themselves conservative.

THE ECONOMIC IMPACT OF THE ARTS IN CALIFORNIA

By Dr. Stephen Pollock, Policy Economics Group, KPMG Peat Marwick LLP

This study measures the economic impact of nonprofit arts organizations on California. It is intended to provide an understanding of the value of the arts as an economic asset and as a tool for evaluating proposals for financial support of the arts in California. These results may also prove useful as a basis for planning future arts initiatives, providing information to benefit arts administration, and serving as a guide to state policy-makers.

It is often assumed that the sole value of the arts in society is their aesthetic contribution to improving the quality of life. In the extreme view, the arts are viewed as superfluous to the economy, a luxury to be indulged only after economic necessities are met.

Of course, art does exist for art's sake. No one doubts that artists have a commitment that transcends economic considerations. However, this research in California, along with a sizable body of work done elsewhere, clearly shows that the arts are also a significant industry when viewed in economic terms, as well as a strong partner in economic development.

The bottom line, expressed in dollars, is that the arts contribute far more to the economy, in income and jobs, than they receive in private contributions and public funding. The total of grants and gifts reported by nonprofit arts organizations represents only one-third of the total amount of dollars they spend.

Arts organizations are significant employers of California workers. The goods and services purchased by arts organizations from businesses operating in the state also generate indirect jobs and income. Spending by audiences at performing arts events generates additional employment and income, especially when visitors from out-of-state are attracted by arts events. Finally, the economic activity related to the arts expands the state's tax base resulting in increased sales and income tax revenue.

This economic impact analysis is based on results from comprehensive surveys of arts organizations and their audiences. The scope of the study is 2,465 mostly nonprofit arts organizations in California and a small number (less than one percent) of for-profit organizations. These organizations are eligible for state grants, and may have shared part of the $10.5 million appropriated last year by the California Legislature through grants administered by the California Arts Council. The data are for the most recent fiscal year of the organizations, which in most cases is 1993.

OVERVIEW

The total economic impact of the arts in California, as defined by this study, has been examined in three different ways: (1) total spending, (2) total personal and business income, and (3) total jobs created. In addition, rough estimates of state and local taxes generated by the industry are made. Each of these types of economic impact are different ways to gauge the economic activity generated by arts organizations in the state.

What We Found

The overall economic impact of the nonprofit arts industries includes spending by arts organizations, plus audience spending, plus travel-related spending of visitors attending arts events. This study measures both direct and indirect impacts on spending, payroll and jobs.

- Arts organizations and audiences generated $2.159 billion of spending in 1993.
- Expenditures by arts organizations and audiences supported approximately 115,000 jobs.

- Direct payroll, together with indirect income generated by arts spending, amounted to $1.417 billion in personal and business income for California residents and businesses.
- Spending by arts organizations and audiences generated approximately $37 million in state income taxes and $40 million in state and local sales taxes in 1993.

Spending by Arts Organizations

Arts organizations generated total spending on goods and services of $1.472 billion. This amount includes direct spending by organizations on goods and services, direct expenditures by employees, and indirect expenditures generated by the income received by suppliers and employees.

- Arts organizations added $1.032 billion of income to the California economy. This income came in the form of direct payroll to arts employees, indirect income generated by other (non-labor) arts expenditures, and indirect income generated by employee spending.
- The 2,465 mostly nonprofit arts organizations included in the study created approximately 103,000 jobs in 1993, either directly or indirectly. Given the unusual nature of working in the arts, many of these jobs are classified as temporary or part-time — but still make for a sizable work force compared to many industries.
- In addition to direct payroll employees, the organizations included in the study were supported by nearly 173,000 volunteers.

Audience Spending

Spending by audiences at arts events is an additional source of potential stimulus to the California economy. Because money spent at arts events may have been diverted from other uses (which may also have contributed to economic activity), only a portion can be considered a net economic stimulus. Based on responses to the audience survey, this study estimates that one-half of audience spending is diverted from other uses. Given this estimation, incremental audience spending, both direct and indirect, of $400 million generates $227 million of total income and 7,500 new jobs.

Arts-Related Visitors

Roughly 2.3 million people, about 10 percent of the audiences surveyed, reported a stay away from home of one or more nights in order to attend an arts event. The arts add to the attractiveness of California as a visitor destination, with tourism injecting millions of new dollars from outside the state into California's economy.

Based on the survey results, this study estimates that one-half of the out-of-state members in arts audiences are primarily motivated by arts events. Given this estimation, direct and indirect visitor spending was $288 million on in-state transportation and lodging, generating $158 million in income and 4,200 jobs.

State Revenues and the Arts

The arts generated $37 million in income tax collections from direct payroll of arts employees, indirect income from other arts expenditures, and indirect income generated by employee spending.

The arts generated $40 million in state and local sales tax collections from direct organization spending on taxable goods, construction materials for arts contractors, indirect expenditures, and visitor spending on lodging and transportation.

Methodology

What Constitutes "The Arts"?

For this study, "the arts in California" refers only to the universe of organizations covered by the survey. The data are for the most recent fiscal year of the organizations, which in most cases is 1993.

The survey is representative of all known nonprofit arts organizations in California — from a list of 2,465 organizations which are eligible for state grants, many of which have shared part of the $10.5 million appropriated by the California

Legislature and administered through grants by the California Arts Council.

The total numbers of large-budget organizations in the state (those with annual budgets over $1 million) and medium-budget organizations (those with annual budgets over $100,000) are known through grant application records and other correspondence. The number of small-budget organizations in California is estimated by the California Arts Council based on information received from grant applications and from the Council's State-Local Partnership Program.

Defining "The Arts Industry"

Within the scope of this study, the arts industry includes:

- Nonprofit, 501(c)(3) institutions, including museums, galleries, theaters, music and dance companies, performing spaces, public radio and television, film and video production, literary magazines, arts service organizations and associations (including local arts agencies), and arts education organizations.
- Festivals including major music, visual arts, quality crafts and multicultural festivals.[2]
- Some commercial arts organizations including theaters, as well as presenters who provide the space, local technical support and promotion for arts groups on tour in California. These made up less than one percent of the sample.

Care was taken to ensure that small, medium and large organizations were represented, as well as culturally specific organizations.

The study is not intended to analyze the impact of broader concepts of the arts industry. It does not, for instance, measure the sales of individual artists through commercial galleries. Nor does it include the commercial entertainment industry, commercial recording industry, or the commercial film or television industries. Including these and other arts-related organizations not covered by the survey would vastly multiply the estimated economic impact of the industry on California.

Further, the scope of the study is limited to the impact of these organizations on California's economy. Care has been taken to remove the effects of California arts organizations on the economies of other states or countries. These impacts arise when in-state organizations spend money outside the state, or purchase resources from out-of-state.

Special Factors

Several characteristics of the arts industry make its economic impacts unique. One such characteristic is the unusual nature of arts employment. Arts organizations have their own form of labor intensity, which is highlighted by their heavy reliance on part-time employment and volunteers. Employees may be hired for specific performances, a season, or for workshops, residencies, or classes of limited duration. Because of this unique characteristic, standard "employment multipliers" used to determine the total employment impact of an industry on state or regional employment are not valid. A customized approach is taken in this study to estimate the indirect, or ripple effects of the arts on state employment.

Another special characteristic of the arts as defined in this report is that the organizations are nonprofit. This again necessitates a customized approach to measuring the total income and tax effects of the arts on the California economy.[3]

Focus on the Quantifiable

The arts add a certain "livability" and richness to a community that is not directly measurable. These improvements to an area's quality of life may increase the community's ability to attract and retain businesses, a high quality work force and associated economic development. In addition, there may be a strong relationship of the arts not only to regional economic development, but to residential and commercial property values. The participation of those with arts training in local labor markets may enhance the attractiveness of the area to other

businesses as well. While these factors are not directly quantifiable, and are not included in the economic impact estimates presented in this report, they should be considered as part of the overall economic impact of the arts. Indeed, these benefits represent what economists term "positive externalities" and are a key justification of public support of the arts.

So the measurable economic value alone is only part of the story. It ignores the other more fundamental contributions of the arts to society — as well as those intangible "creative multipliers" that arise in the interaction between the profit and nonprofit arts sectors.

Because this study does not measure the portion of the economic value of the arts relating to enhancements of the quality of life, and other external benefits, we offer a baseline — a floor, not a ceiling. These findings, necessarily, underestimate the arts' true contribution.

Surveys

Two surveys were conducted; an organization survey and an audience survey. The organization survey was sent to all known large-budget arts organizations in the state, and to a sample of the remainder. The survey asks questions about the nature of the organizations, budget size, income sources, employment characteristics, and detailed questions on expenditures.

The audience survey was sent to a number of arts events over the course of several months during the fall and winter of 1993-94. Over 11,000 responses were obtained. The survey asked questions about the economic and demographic characteristics of the respondents, and their spending patterns in conjunction with attendance at the arts event.

Tabulations of the survey results were analyzed for each of three budget size categories. Large-budget organizations are those with annual budgets in excess of $1 million. Medium-budget organizations are those with budgets between $100,000 and $1 million. Small-budget organizations have annual budgets below $100,000.

The response rates to the surveys were high. The survey was mailed to all 109 of the known large-budget organizations in the state. Timely, usable responses were obtained from 86 respondents for a sample rate of 78.9 percent. The survey was mailed to a sample of the known 356 medium-budget organizations in the state. Timely, usable responses were obtained from 179 for a sample rate of 50.3 percent. The survey was mailed to a sample of the estimated 2,000 small-budget organizations in the state. Timely, usable responses were obtained from 265 for a sample rate of 13.3 percent. Table 1.1 shows the effective sample rates.[4]

Table 1.1

Organization Survey Response Rates

	Number of Usable Survey Responses	Projected Universe	Effective Response Rate
Large Budgets	86	109	78.9%
Medium Budgets	179	356	50.3%
Small Budgets	265	2000	13.3%
Total	530	2465	21.5%

Economic Models

The procedure for estimating the economic impact has two main components; the impact of organization spending and the impact of audience spending. Organization spending is divided between payroll expenditures and all other purchases. Audience spending is split between residents and visitors. The estimate of all types of spending reported on the survey by the respondents are the direct spending estimates. The approach employed here takes the direct spending estimates from the survey, and through use of an economic impact model of the state, derives the indirect and induced effects.

Indirect effects relate to the spending and other economic activity of the producers of the goods and services that are purchased by the arts organizations. Induced effects relate to the additional economic activity generated by consumer spending. This is the consumer spending by the workers who are indirectly employed as a result of spending by the arts organizations. The total effects, including

the indirect and induced effects, are multiples of the direct effects alone and, therefore, ratios of total effects to direct effects are referred to as "multipliers."

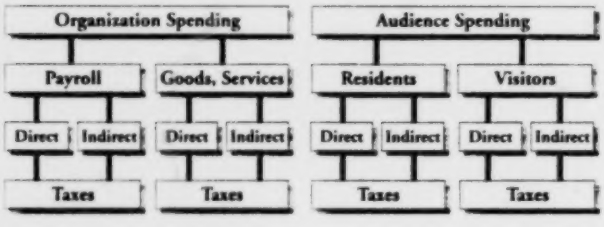
The model employed is California-specific, so that the impact of any purchases of non-California goods, supplies or services are specifically excluded from the estimate of the economic impact on California.

For all types of spending there are multiplier effects for (1) spending, (2) total income, and (3) employment. The spending effects are relevant in that they represent a potential sales tax base. The total income effects include employee compensation, proprietor income, corporate profit, and other capital income. The employment effects are measured in actual jobs, not full-time equivalent jobs. Actual jobs include part-time and seasonal jobs.

The overall economic impact can be measured in terms of any of these three concepts: spending, income, or jobs. This report calculates all three concepts of economic impact. Spending or income can be used as a measure of aggregate economic activity, but neither should be added together. In addition, an estimate of the tax impact for the income and sales taxes is provided. This includes total income taxes (applied to direct payroll, and total indirect and induced income due to both organization and audience spending), and sales tax on purchases (by both organizations and persons). An overview of the economic impact methodology is shown in Figure 1.1.

Figure 1.1

Overview of Economic Impact Methodology



Conservative Approach

Care was taken to adjust the raw tabulated data to account for all known special factors. We have, for example, taken into account the fact that some spending by audiences would have occurred in the absence of the arts event. Likewise, some visitor spending would have occurred in the absence of the arts event.

Economic impact models (including IMPLAN) generate multipliers for standard industries or industry groups based on data collected by the U.S. Census Bureau. The nonprofit arts industry, however, is not a standard industry for which census data are available. Therefore, a nonprofit arts industry sector was created, based on the survey responses for spending amounts in each category and multipliers for those spending categories.

Each spending category has its own unique multiplier. There are separate multipliers for each subcategory of spending by organizations as well as audiences. In each case, multipliers calculated specifically from California data were used.

The results of our methodology indicated an overall weighted-average output multiplier for nonprofit arts spending of about 2.4. This is slightly below a figure often cited by other arts studies of 2.5.

Because these are largely nonprofit organizations, payroll is the only form of income directly attributable to arts organizations. Income multipliers, therefore, are not applied to direct arts income. Instead, the income multipliers are only applied to the purchases of the arts organizations — another instance where our methodology is specific to the characteristics of the arts industry.

The surveys grouped several types of spending together in the questions. Composite sectors corresponding to the survey categories were constructed based on the appropriate detailed IMPLAN model sectors. These composite sectors were the basis for the use of the IMPLAN model to estimate the indirect and induced effects.

Income as a Measure

The arts organizations reported total California income of $704.8 million (excluding $55.7 million from operations outside of California). This income comes from many sources. The major categories of income are from operations, about 59 percent, and grants and gifts, about 36 percent. The operating income includes admissions, concession sales, rent, tuition, parking operations, recording and other. The grants and gifts include government grants (federal, state and local), foundations, business or corporate grants, individual donations, and other. The sources of income for California arts organizations are shown below in Table 1.2.

Table 1.2

Sources of Income for Arts Organizations
(millions of dollars)

	In CA	Percent	Out-of-State
Admissions	$262.0		$0.5
Fees	17.0	39.6%	13.4
Merchandise Sales	12.6		
Food & Beverage Sales	4.0		
Other Sales	4.3	3.0%	
Parking Operations	5.2		
Rental Income	12.6		
Tuition Income	40.7		0.5
Services & Recording	9.1		9.3
Other Operating Income	48.0	16.4%	10.9
Federal, State & Local Grants	57.5	8.2%	12.9
Other Grants	22.4		0.5
Foundations	55.5		3.7
Business/Corp Grants	31.7		0.8
Individual Donations	65.0		1.0
Other Gifts, Donations, Endowments	22.3	27.9%	
Investment/Interest	34.9	5.0%	1.9
Total Income	$704.8	100.0%	$55.7

The income source data provide an interesting financial profile of the arts industry. However, the economic impact is driven by the expenditures of the organizations. Including the income of the organizations would overstate the impact, because dollars earned and spent by the same organizations would be double-counted.

Spending as a Measure

The survey provided rich detail on the spending of arts organizations. The seven major spending categories are shown in Table 1.3. The amounts reflect spending within the state by major category. Amounts spent outside the state are not included in the impact on California.[8]

Table 1.3

Direct Spending in California by Arts Organizations
(millions of dollars)

		Percent
Payroll	$319.8	47.5%
Services	67.7	10.0%
Goods	38.6	5.7%
Non-Personnel Operating	88.0	13.1%
Travel Expenditures	5.6	0.8%
Artistic Property	32.3	4.8%
Capital Expenditures	121.8	18.1%
Total	$673.8	100.0%

For each category of direct spending (that is, money spent by the arts organization in California) the indirect and induced effects are measured. These indirect and induced effects are reflected by the additional amount generated of three measures: (1) secondary spending, (2) total income, and (3) employment.

The amount of secondary spending represents purchases by in-state suppliers used by the arts organizations. For example, when an arts organization hires a construction contractor, the direct spending is on the contract. The indirect, or secondary, spending includes not only the construction materials purchased by the contractor, such as lumber, but also the purchases of the inputs to the lumber mill, and their supplier's purchases and so on. The indirect effects only include those intermediate purchases from within California. They include the purchases by the wholesalers and retailers, where applicable as well. The induced effects include the purchases necessary to meet the additional demand from the employees whose income has been increased as a direct or indirect result of arts organizations' spending.

The additional amount of total income generated is mostly wages and salaries of employees such as construction workers, lumber mill operators, etc. It also includes proprietors' income and profits. This indirect and induced income is generated as a result of the indirect and induced spending from purchases by arts organizations.

The additional employment generated is the number of jobs that are due to the indirect and induced spending generated by the arts organization. The total employment impact of the arts reflects direct employment by the arts organizations plus indirect jobs. (See Table 1.4 for a summary of expenditures.)

Table 1.4

Economic Impacts of Spending by California Arts Organizations (millions of dollars)

	Direct Effects	Indirect and Induced Effects		
	Expenditures	Expenditures	Income	Jobs*
Purchases of Services	$67.7	$121.4	$123.1	3,477
Purchases of Goods	38.6	60.5	56.5	4,656
Travel-Related Employee Expenses	5.6	9.5	9.1	267
Non-Personnel Operating Expenses	88.0	90.7	120.6	2,333
Purchases of Artistic Property	32.3	68.2	48.3	1,612
Capital Expenditures	121.8	149.8	145.8	3,565
Subtotal	354.0	500.1	503.4	12,910
Payroll	319.8	360.2	209.1	5,289
Total	$673.8	$860.3	$712.5	18,199

The grand total of spending generated by arts organizations in California is $1,471.6 million. This consists of $354 million in direct purchases of goods and services by organizations, which generates an additional $500.1 million in indirect purchases. It also includes an estimated $257.3 million in personal consumption expenditures by arts employees using money they earned from the organizations, which generates an additional $360.2 million in total spending in the state.[9]

Total income generated in the state is $1,032.3 million, which is the sum of the $319.8 million in direct payroll, plus indirect and induced income generated by the arts organizations purchases of $503.4 million, plus $209.1 million of indirect and induced income generated by arts employee spending.

Because the arts rely so heavily on volunteers, it is appropriate to consider their impact on the state's economy. However, it is difficult to place a total economic value on volunteer time. First, no estimates of hours donated were obtained from the survey. Even if there were, they would likely be less precise than other data collected in the survey, since records of volunteer time are often not maintained. Second, the time donated may extend from ushering to preparing annual reports to representing the organization in court, with vastly different values attached to these times. Using any reasonable market-based wage rate as an estimate of value-per-hour would lead to the conclusion that the value of aggregate volunteer time is a very large percentage of wages and salaries and cash donations from all private sources.

Further, it is not clear that volunteer time adds to additional spending or jobs that are not already measured in the study. To cite one difficult exception: A volunteer may donate professional services and, as part of that donation, may also purchase the indirect inputs necessary to perform those services. Those effects, to the extent they could be measured (as well as the economic impacts of goods that are donated directly to the organizations) would add to the total estimated economic impact of the arts had they been included in this study.

Audience Spending

There were an estimated 24 million paid admissions to California arts events in 1993. We believe this to be a conservative estimate.[10]

Audience spending in connection with arts events goes well beyond admission charges. Other spending categories by audiences include food and drink, souvenirs, transportation, clothing and even

child-care. All add to the impact of the arts on the state's economy. Consumer spending on these items by patrons of the arts generates indirect and induced spending, income and employment, as is the case for spending by the arts organizations themselves. These effects, by spending category, are summarized below.

Note that it is not proper to include effects associated with admissions. That is because those effects have previously been accounted for in the expenditures of the arts organizations. The only impact the admissions charges might have is if they were subject to sales or admissions taxes. Such charges are not subject to tax in California.

How much of the audience spending is diverted from other expenditures and would have occurred anyway? Care must be taken when analyzing audience spending figures. Spending activity that would not come into an area unless arts activities were available and measurements of expenditures by local residents that either would not occur, or would leave an area if arts activities were not available, are the best indicators of the true value of an arts industry to a local economy. The survey measured what was actually spent.

Some economists would argue that all the money would have been spent in the state on other goods and activities and, therefore, audience spending should not be included in a measure of economic impact. This is an extreme view, because it is likely that at least some net spending would occur, and that some of the spending that would have occurred in absence of the arts would have been for out-of-state goods or activities.

The results of the survey suggested that approximately 50 percent of respondents would have made no monetary expenditure had they not attended the arts event.[11] It is possible that responses to this question exhibit some degree of survey bias. In addition, it is even less certain that, had there not been an arts event, the money "saved" would not have been spent eventually. It is for these reasons that the economic impact of audience spending must be interpreted with great care. The table below shows the economic impact of audience spending for one-half of the full amount reported.

Table 1.5

Direct and Indirect Effects for Six Categories from Audience Survey (millions of dollars)

Spending Categories	Direct Effects	Indirect and Induced Effects		
	Expenditures	Expenditures	Income	Jobs
Food and Drink	$112.8	$130.9	$134.6	4,788
Souvenirs, Books, or Art Objects Purchased	16.8	10.0	15.5	441
Transportation (incl. gas, parking, tolls, taxi, limo, and public trans.)	32.4	26.4	34.6	996
Child-Care Related to Attending Arts Event	3.6	9.6	8.8	368
Clothing or Accessories	27.6	17.7	24.4	759
Other	8.4	3.5	8.7	177
Total	$201.6	$198.1	$226.6	7,529

Note that all reported effects have been adjusted downward by 50 percent to include only the spending of those respondents who indicated that they would not have spent money on other activities, had the arts event not taken place.

The estimated $201.6 million spent directly by audiences only represents $8.40 per person in non-admission spending — a little more than the cost of a movie.[12] The figures include spending by visitors as well as residents. But visitor spending on auto rental, air, train, or bus fares, and accommodations is excluded.

2.3 Million Visitors — Arts as an Export

The audience survey found that almost 10 percent of people attending an arts event in California are away from home for one or more nights. This has two economic implications: One is that the arts organizations are a significant draw for visitors, with an estimated 2.3 million visitors spending one night away from home. The other is that these visitors spend money in connection with their attendance at arts events.

These expenditures are correctly viewed as exports. Exports are key to regional economic development, drawing income into a local economy. These findings support the notion that the arts are bringing

substantial dollars into regions within the state, and into the state from elsewhere. The survey collected information from visitors in the spending categories of transportation, lodging, and auto rental (see Table 1.6).

Table 1.6

Direct Visitor Spending (millions of dollars)

Air, Train, or Bus Fare	$315
Auto Rental	34
Accommodations	45
Total	$394

Among the overnight visitors who responded to the survey, some 80 percent indicated that the event itself was an important element in their decision to visit the area. The percentage who would have taken the trip in the absence of the arts event is not known. (Some other issues that complicate the assessment of the economic impact are discussed below).

For interstate travelers, the air, rail or bus fare would contribute largely to the economy of the home state, rather than to California's economy. The economic impact model can measure the effect of transportation purchases in California, but not the effects of tickets purchased from outside the state.

The auto rental estimate is based on the survey response for the trip, but it is not known if or how much of the auto rental was used for purposes other than attending the arts event. The accommodations figure includes lodging only. (Food and drink expenditures as well as other spending by visitors is included above in the audience spending analysis.) However, even though the respondents indicated that they spent an average of 7.3 nights away from home in the area immediate to the arts event, and a total of 10.2 nights total in California, the $45 million estimate is based on only one night's lodging per person. This is appropriate, because it is not likely that visitors would be attending an arts event each day of their stay. Even if they did, their attendance and spending would be implicitly counted more than once in the estimate of the total number of arts attendees and visitors. The $45 million is estimated from the 57 percent of visitors who paid for accommodations, reporting an average per person expenditure of $34.40 per night.

The economic impacts per dollar of direct spending (see Table 1.7) can be estimated based on these assumptions and estimates:

- Based on analysis of the survey results, one-half of the reported visitor spending would have occurred in California even in the absence of the arts event, and therefore is not counted as a direct contribution of the arts.
- One-half of the transportation spending attributed to the arts is assumed to originate from (and remain) outside of California. This translates to one-quarter of the transportation fare indicated on the survey.
- One night's lodging per arts attendee is included in the economic impact.

Table 1.7

Direct and Indirect Effects for Visitor Spending Associated with the Arts (millions of dollars)

	Direct Effects	Indirect and Induced Effects		
	Expenditures	Expenditures	Income	Jobs
Air, Train or Bus Fare	$78.8	$111.3	$95.8	2,491
Auto Rental	17.0	19.3	20.5	447
Accommodations	22.5	38.8	41.5	1,252
Total	$118.3	$169.6	$157.8	4,190

Tax Revenues Generated

The economic activity associated with the arts generates tax revenues. Although the arts organizations themselves are nonprofits, and are thus exempt from state income tax, there are still significant tax revenues generated by the organizations and activities.

Income Taxes

The major tax impact of the arts comes from the individual income tax. Employees of the arts organizations must pay state income tax on their earnings. The estimated tax payments can be roughly derived from the total income estimates (see Table 1.8). The indirect income is subject to California income tax as well. Indirect total income consists mostly of payroll, but also includes some corporate profits. If the average tax rate on income is estimated at 2.6 percent,[13] the arts generates $8.3 million in income taxes from direct payroll of $319.8 million, and $18.5 million in income taxes from indirect income (both personal and business income) of $712.5 million, for a total of $26.8 million in total income taxes to the state.

Table 1.8

Income Taxes Generated by Arts Employment
(millions of dollars)

Income Tax on Direct Payroll to Arts Employees	$8.3
Income Tax on Indirect Income Generated by Other Arts Expenditures	13.0
Income Tax on Indirect Income Generated by Employee Spending	5.5
Total Income Tax	$26.8

In addition, the income tax on audience spending and visitor transportation and lodging spending may also be considered. Based on the indirect and induced total income generated by audiences and visitors from the previous sections, an additional $10.1 million in income tax is generated.

Sales Tax

Sales taxes generated by the arts industry are also significant. Although admissions to arts events are not taxed, there are still many taxable transactions generated by the arts organizations. Purchases by the organizations of materials, supplies and equipment are taxed. These direct purchases would be subject to a statewide average state and local sales tax rate of at least 7.75 percent.[14] The categories of direct purchases by arts organizations that are subject to sales tax and specifically listed in the survey are shown in Table 1.9.

Table 1.9

Direct Purchases Subject to State and Local Sales Tax
(millions of dollars)

Direct Purchases	Amount	Tax at 7.75%
Equipment Rental	$4.2	$.326
Motor Vehicles	0.2	.016
Furniture	1.1	.085
Lumber & Hardware	5.9	.457
Office Machinery & Computers	2.7	.209
Other Capital Equipment	4.1	.318
Paper & Paper Products	8.7	.674
Meals and Lodging	1.7	.132
Printing, etc.	6.8	.527
Textiles and Apparel	2.3	.178
Total	$37.7	$2.922

Note: One-quarter of printing expenses reported is estimated to be taxable purchases of goods and materials.

Although construction spending in the form of payments to the contractor is not subject to tax, the contractor's construction material and other inputs are taxed. These add another $3.8 million to the sales tax generated.[15]

Indirect spending associated with arts organizations generates significantly more sales tax revenue. Total indirect and induced spending generated in the state is $500 million. Much of that spending is business spending, which is largely tax-exempt because manufacturers do not pay sales tax on materials or components. But a large portion of the spending is induced spending by persons whose incomes have increased due to indirect arts-related activity. A very conservative estimate would be that 15 percent of the indirect and induced spending (after deducting the construction contractor material purchases already counted above), or $68 million would be subject to sales tax. That would generate $5.2 million in revenue.

In addition, the employees of the arts organizations will spend their earnings on items that are taxable. This will generate $6 million in sales tax revenue if 30 percent of the $257 million on payroll is

spent on taxable items. The indirect and induced spending derived from consumption expenditures of arts employees is $360.2 million, adding $4.2 million in tax if 15 percent of that spending is on taxable items.

These items sum to a total sales tax impact of $22.1 million due to the arts organizations and their employees and are reported in Table 1.10.

Table 1.10

Total Sales Tax Generated by Arts Organizations
(millions of dollars)

Direct Spending on Taxable Goods	$2.9
Construction Materials, Arts Contractors	3.8
Other Indirect and Induced Spending	5.2
Direct Expenditures by Employees	6.0
Indirect Expenditures by Employee Spending	4.2
Total Sales Tax	$22.1

Audience spending also adds to the sales tax generated. Based on the spending estimates from Table 1.5, the following sales tax revenue is generated by audience spending, in millions of dollars.

Food and Drink	$8.7
Souvenirs, etc.	1.3
Clothing	2.1
Indirect (15%)	2.3
Total	$14.4

Likewise visitor spending adds to the sales tax generated. Based on these spending estimates, the following sales tax revenue is generated by visitor spending, in millions of dollars.

Lodging	$1.7
Indirect (15%)	2.0
Total	$3.7

Other Taxes

There are several other state and local taxes that arts-related activity would be sure to generate in significant amounts. For example, arts organizations generate significant amounts of property taxes, which are local taxes. The rates vary somewhat from jurisdiction to jurisdiction, and available data do not support an estimate of property taxes paid.

Other taxes generated by arts organization activity include utility taxes, auto rental taxes, and excise taxes such as those on gasoline and alcoholic beverages. These taxes are not estimated in this study, but it is certain that revenue from these taxes is generated for the state and local governments of California, either directly or indirectly by nonprofit arts organizations.

A Major Employer

The arts industry directly employs a significant number of people.[16] In addition, a large amount of employment is generated indirectly by the industry. Indirect employment can be thought of as employees of businesses whose ultimate customers are arts organizations or their employees.

The arts organizations provide 85,235 direct (full-time and part-time) jobs. The number of indirect and induced jobs generated by the organizations is 18,199, for a total of 103,434 jobs provided by the industry. The indirect and induced jobs are made up of 12,910 jobs from arts organization purchases, and 5,289 jobs generated from arts employee personal consumption expenditures. These figures reflect actual jobs, not full-time equivalent jobs, and volunteers are not included. The number of volunteers reported by the organizations is nearly 173,000.

A very large share of arts employment is part-time or seasonal in nature. These part-time employees may be hired for specific performances, a season, or for workshops, residencies, or classes of limited duration. This is a unique variety of labor intensity. Full-time employment for the arts organizations is 9,826, and part-time employment is 75,409. Because many musicians and artists have more than one employer during the year, some double counting in the part-time employment figure is unavoidable.

Arts organizations employ not only artists, but administrators, technicians, other professionals, and others. Table 1.11 lists direct employment of arts organizations by occupation. As discussed, part-time workers are a major force in these organizations' employment. For example, 93.9 percent of professional artistic workers are part-time.

Table 1.11

Arts Organization Employment Occupation

Occupation	Full-Time	Part-Time
Professional Administrative	3,693	8,034
Professional Artists	3,330	51,014
Professional Others	1,192	4,378
All Others	1,611	11,983
Total	9,826	75,409

Note that many of the jobs classified here as part-time may actually be full-time temporary jobs. Many of these are independent contractors who are infrequently engaged, as opposed to part-time employees who are regularly employed, but for less than 40 hours per week. (Contractors not currently engaged are generally counted as unemployed.) Contracted temporary work generates the same economic impact as permanent part-time employment.

Summary: A Sizable Industry

The nonprofit arts, as defined and quantified in this study, demonstrate real jobs, real income and real spending in numbers that substantiate their contribution to California's economy and competitive advantage. Table 1.12 provides a summary of the economic impact of the arts in California.

Table 1.12

Economic Impact of the Arts in California
(millions of dollars)

Expenditures	
Organization & Employee Expenditures	$1,471.6
Audience Expenditures	399.7
Visitor Transportation & Lodging Expenditures	287.9
Total Spending	$2,159.2
Income	
Payroll & Indirect Income Generated by Organizations	$1,032.3
Total Income Generated by Audience Expenditures	226.6
Total Income Generated by Visitor Spending	157.8
Total Income	$1,416.7
Jobs	
Arts Organizations and Indirect Jobs	103,434
Total Jobs Generated by Audience Expenditures	7,529
Total Jobs Generated by Visitor Spending	4,190
Total Jobs	115,153

Note: These figures do not include a capital expenditure project of $65 million reported by one organization. The Hebrew Union College Skirball Museum is being rebuilt at a new location and will re-open as the core component of the Hebrew Union College Skirball Cultural Center, with a six-fold increase in floor space. The funds are being raised by the Skirball Cultural Center rather than through the museum budget, and therefore is not included in the figures reported here. This project represents a significant economic impact that has its origins in a nonprofit arts organization.

Appendix 1A: The Economic Impact of Multicultural Organizations

According to the California Arts Council, there are 221 multicultural arts organizations that are grantees of either the Multicultural Entry Program or the Organizational Support Program. Multi-cultural organizations are defined as arts organizations and artist groups that are deeply rooted in and which reflect African-American, Asian, Latino, Native-American, Pacific Islander, or some combination of these or other ethnic communities.

Income by Type of Organization

Tables 1A.1 and 1A.2 list sources of income generated in California for multicultural and non-multicultural arts organizations. The income is further broken down into three budget sizes of organizations. The tables also list percentages of total income for each budget size. For the 221 multicultural arts organizations, total California direct income is $15.3 million (2.2 percent of the total), while the rest of the organizations report

total income of $689.7 million.

For large-budget organizations, the three major sources of income are admissions and fees, other operating income, and other grants. For medium and small arts organizations, government grants are also an important source of income. In general, multicultural organizations rely more on grants, especially private grants, and less on admissions, sales, investment, and other operating income, compared to all other organizations.

Spending by Multicultural Organizations

We have also calculated the economic impact of multicultural organizations' spending. Table 1A.3 shows the direct and indirect effects. The total economic impact of multicultural organizations is $53.7 million which is 3.6 percent of total spending by all organizations. This total spending impact includes $11.6 million direct spending by multicultural organizations, $15.7 million indirect spending, $11.0 million personal consumption generated from personal income spent, and $15.4 million indirect spending caused by direct personal consumption.

Multicultural organizations generate a total income of $39 million, which includes $13.7 million payroll of multicultural organizations, $8.9 million income generated by multicultural organizations' employee spending, and $16.4 million indirect spending generated by multicultural organizations' activities.

Multicultural organizations employ 4,017 people directly, which is 4.7 percent of total direct employment by all arts organizations. Most of their employees are part-time. In addition, there are 726 jobs generated indirectly by multicultural organizations' activities.

Table 1A.1

Sources of Income for Multicultural Arts Organizations

	LBO		MBO		SBO		Total	
	$1,000	%	$1,000	%	$1,000	%	$1,000	%
Admissions & Fees	$1,009	18.22	$1,165	29.76	$3,117	53.74	$5,291	34.69
Merchandise Sales	131	2.36	85	2.18	0	0.00	216	1.41
Other Operating Income	1,297	23.41	262	6.69	145	2.49	1,704	11.16
Government Grants	334	6.04	1,203	30.71	836	14.40	2,373	15.55
Other Grants, Gifts, Donations, Endowments	2,665	48.10	1,186	30.27	1,703	29.36	5,554	36.40
Investment/Interest	104	1.88	15	0.40	0	0.00	119	0.78
Total Income	$5,540	100	$3,916	100	$5,801	100	$15,257	100

Note: LBO, MBO, and SBO stand for large, medium, and small-budget organizations. Of the 221 multicultural organizations, 5 are large-budget, 19 are medium-budget, and the rest are small-budget. In California, multicultural organizations employ 4,017 people directly, which is 4.7 percent of total direct employment by all arts organizations.

Table 1A.2

Sources of Income for Non-Multicultural Arts Organizations

	LBO		MBO		SBO		Total	
	$1,000	%	$1,000	%	$1,000	%	$1,000	%
Admissions & Fees	$208,558	41.62	$26,321	24.94	$39,029	46.97	$273,908	39.71
Merchandise Sales	16,684	3.33	4,075	3.86	0	0.00	20,759	3.01
Other Operating Income	81,501	16.27	20,956	19.86	11,542	13.89	113,999	16.53
Government Grants	26,034	5.20	15,855	15.02	13,188	15.87	55,077	7.99
Other Grants, Gifts, Donations, Endowments	136,053	27.15	35,842	33.96	19,332	23.27	191,227	27.73
Investment/Interest	32,251	6.44	2,481	2.35	0	0.00	34,732	5.04
Total Income	$501,081	100	$105,530	100	$83,091	100	$689,702	100

Table 1A.3

Economic Impacts of Spending by California Multicultural Organizations (millions of dollars)

Spending Categories	Direct Effects	Indirect and Induced Effects		
	Expenditures	Expenditures	Income	Jobs
Purchases of Services	$2.4	$4.2	$4.3	122
Purchases of Goods	1.1	1.8	1.7	137
Travel-Related Employee Expenses	0.4	0.7	0.6	19
Non-Personnel Operating Expenses	3.2	3.3	4.4	85
Purchases of Artistic Property	0.3	0.6	0.4	15
Capital Expenditures	4.2	5.1	5.0	122
Subtotal	11.6	15.7	16.4	500
Payroll	13.7	15.4	8.9	226
Total	$25.3	$31.1	$25.3	726

Appendix 1B: The Economic Impact of Spending by Multicultural Audiences

Approximately 10.4 percent of attendees voluntarily self-identified themselves as culturally specific according to the audience survey. Therefore, there are an estimated 2.5 million multicultural attendees. Their total direct nonadmission spending is $24.9 million, representing $9.98 per person (compared to $8.40 per person for all attendees). Indirect and induced effects generated from the direct spending by multicultural audiences are: (1) $22.6 million in expenditures; (2) $27.1 million in income; and (3) 879 jobs. Total direct and indirect expenditures generated by multicultural audiences are $47.5 million.

Similar to the calculation for all attendees, the figures include spending by visitors in California, except visitor spending on auto rental, air, train, or bus fares, and accommodations. Detailed economic effects on each of the expenditure items are shown in Table 1B.1.

Table 1B.1

Direct and Indirect Effects from Multicultural Audience Spending (millions of dollars)

Spending Categories	Direct Effects	Indirect and Induced Effects		
	Expenditures	Expenditures	Income	Jobs
Food and Drink	$10.1	$11.7	$12.1	429
Souvenirs, Books or Art Objects Purchased	3.9	2.3	3.6	102
Transportation (incl. gas, parking, tolls, taxi, limo, and public trans.)	4.1	3.4	4.4	127
Child-Care Related to Attending Arts Events	0.5	1.3	1.2	51
Clothing or Accessories	5.6	3.6	5.0	154
Other	0.7	0.3	0.8	16
Total	$24.9	$22.6	$27.1	879

Spending by Multicultural Visitors

The audience survey shows that about 10 percent of multicultural attendees are away from home. This is the same percentage as for the non-multicultural attendees. Three expenditure items are computed; transportation fares, auto rental, and accommodations. To obtain the direct effects, the same three assumptions employed in the analysis for all visitors are applied here. Multicultural visitors spent $2.5 million on lodging. This figure is obtained from the 53.3 percent of visitors who paid an average $35.60 for accommodations. All visitors paying for accommodations spent $34.40 per person. Average spending by all multicultural visitors on all goods and services was $35.17. All visitors' total spending was $49.29 per person. The difference in spending per person is due to a much lower percentage of multicultural visitors reporting air fare expenditures. Total direct and indirect multicultural visitor-generated expenditures are $21.8 million.

Table 1B.2

Direct and Indirect Effects of Multicultural Visitors' Spending Associated with the Arts (millions of dollars)

Spending Categories	Direct Effects	Indirect and Induced Effects		
	Expenditures	Expenditures	Income	Jobs
Air, Train, or Bus Fare	$3.4	$4.8	$4.1	107
Auto Rental	3.2	3.7	3.9	85
Accommodations	2.5	4.2	4.5	137
Total	$9.1	$12.7	$12.5	329

Appendix 1C: The Economic Impact of Spending by Art Galleries

An additional survey was done for this study that exclusively covered commercial and nonprofit art galleries in California. The number of usable responses is 83 which is 20.75 percent of the 400 estimated total number of art galleries in the state. The survey questions were the same as those in the organization survey, except with less detail. Certain questions such as capital spending were not included in the art gallery survey.

From the tabulations of the survey, direct spending and payroll of galleries were estimated. Total direct spending is $59.6 million while total payroll is $21.6 million. Applying the same method employed for all arts organizations produced an estimated $97.8 million indirect and induced expenditures by galleries. In addition, gallery employees generate $17.4 million personal consumption with income earned from galleries. That expenditure generates an additional $24.3 million in indirect spending. In sum, the total of spending generated by art galleries in California is $199.1 million.

Total income generated by galleries is $128.5 million. This figure includes payroll ($21.6 million), indirect income generated by galleries spending ($92.8 million), and indirect income generated by gallery employees spending ($14.1 million).

Due to their organizational characteristics, arts organizations usually tend to hire a large number of part-time workers. In fact, over 88 percent of the jobs provided directly by the arts organizations are part-time jobs (87 percent for the multicultural organizations). However, art galleries hire fewer part-time individuals. The 400 art galleries employ 1,520 people, almost 45 percent of whom are hired full-time. Total number of jobs generated by gallery activities is 4,863, which is the sum of indirect jobs generated by gallery spending (2,986), indirect jobs generated by employees spending (357), and direct jobs provided by galleries (1,520).

Table 1C.1

Economic Impacts of Spending by California Art Galleries (millions of dollars)

	Direct Effects	Indirect and Induced Effects		
	Expenditures	Expenditures	Income	Jobs
Purchases of Services	$18.8	$33.7	$34.2	966
Purchases of Goods	5.6	8.8	8.2	675
Travel-Related Employee Expenses	0	0	0	0
Non-Personnel Operating Expenses	17.6	18.1	24.1	467
Purchases of Artistic Property	17.6	37.2	26.3	878
Capital Expenditures	0	0	0	0
Subtotal	59.6	97.8	92.8	2,986
Payroll	21.6	24.3	14.1	357
Total	$81.2	$122.1	$106.9	3,343

Direct Spending (millions)	$59.6
Indirect Spending	97.8
Employee Direct Spending	17.4
Employee Indirect Spending	24.3
Total Spending (millions)	$199.1
Direct Payroll (millions)	$21.6
Indirect Income	92.8
Indirect Income from Employee Spending	14.1
Total Income (millions)	$128.5
Direct Jobs	1,520
Indirect Jobs	2,986
Indirect Jobs from Employee Spending	357
Total Jobs	4,863

Appendix 1D: Detailed Economic Impact of Expenditures by Arts Organizations

Table 1D.1

Direct and Indirect Effects for Purchases of Services and Goods (millions of dollars)

	Direct Effects	Indirect and Induced Effects		
	Expenditures	Expenditures	Income	Jobs
Purchases of Services				
1. Legal, accounting services	$22.5	$34.2	$37.7	892
2. Cleaning and security	4.8	13.7	11.5	415
3. Equipment rental	4.2	5.5	5.7	115
4. Printing, etc.	27.1	51.9	53.5	1,619
5. Car rental and parking	1.8	2.9	2.7	69
6. Other	7.3	13.2	12.0	365
Purchases of Goods				
1. Motor vehicles	$0.2	$0.2	$0.2	4
2. Furniture	1.1	1.4	1.3	33
3. Lumber, hardware	5.9	8.0	7.9	211
4. Office machinery and computers	2.7	3.6	4.0	88
5. Other capital equipment	4.1	4.7	5.5	108
6. Paper and paper products	8.7	12.6	12.0	365
7. Textiles and apparel	2.3	3.2	2.8	86
8. Food and drink	7.1	16.9	13.3	473
9. Other	6.5	9.9	9.5	288

Table 1D.2

Direct and Indirect Effects for Non-Personnel Operating Expenses (millions of dollars)

	Direct Effects	Indirect and Induced Effects		
	Expenditures	Expenditures	Income	Jobs
Non-Personnel Operating Expenses				
1. Rental of facilities	$30.5	$20.2	$35.1	533
2. Mortgage and interest payments	2.4	4.5	4.1	129
3. Fuel and utilities	17.2	15.5	22.2	250
4. Telephone, etc.	7.8	3.7	9.[illegible]	106
5. Insurance	11.8	18.8	19.9	533
6. Shipping, warehousing, mailing	18.0	27.3	29.6	762
7. Other	0.3	0.7	0.6	20

Table 1D.3

Direct and Indirect Effects for Travel, Purchases of Art Property, and Capital Expenditure (millions of dollars)

	Direct Effects	Indirect and Induced Effects		
	Expenditures	Expenditures	Income	Jobs
Travel-Related Employee Expenses				
1. Transportation	$3.3	$5.4	$4.9	140
2. Lodging	1.2	2.0	2.2	65
3. Meals	0.5	1.2	0.9	33
4. Incidentals and other	0.6	0.9	1.1	29
Purchases of Artistic and Other Cultural Property				
1. Auction house	1.1	2.8	2.4	87
2. Art gallery and nonprofit arts org.	27.0	61.1	42.2	1441
3. Publisher	2.3	2.3	2.5	53
4. Private individual	1.9	2.1	1.2	31
Capital Expenditure				
1. New construction	101.0	124.2	116.[illegible]	2,841
2. Renovation, repair and remodeling	20.8	25.6	29.1	724

NOTES

1 These organizations identified themselves as "for-profit" on the survey.

2 For the purpose of this report, multicultural is defined as any artist or arts organization deeply rooted in or reflective of a specific culture or a number of cultures, such as African-American, Alaskan-American, Asian, Latino, Native-American, Pacific Islander, or other ethnic communities. These concepts embrace both "culturally specific organizations" and "cross-cultural organizations." A group dedicated to the Japanese Taiko Dan, a Japanese drum ensemble, would be an example of the former; an Asian Pacific museum with Japanese, Chinese, Filipino, Korean art, etc., would be an example of the latter.

3 Specifically, the direct "profit" component of income and tax base used in standard economic impact analyses had to be deducted.

4 The sample results in a margin of error of plus or minus 3.35 percent at a 95 percent level of confidence using finite population. Note: The total effective response rate is over 55 percent when measured as a percent of total dollars in the budgets of the organizations.

5 This report employs "Type III" multipliers, which include both the indirect and induced effects.

6 This report uses the IMPLAN model for the State of California. IMPLAN was originally developed by the U.S. Department of Agriculture to perform regional economic impact planning and analysis. It is now a widely-accepted and proven commercial model currently in use by many private and public sector organizations, including the State Government of California. For more information, see *"Micro IMPLAN 1990 database documentation,"* Minnesota IMPLAN Group, Inc., May 1993.

7 Anthony J. Radich, *Twenty Years of Economic Impact Studies of the Arts: A Review,* prepared for the research office of the National Endowment of the Arts, page 73.

8 Technically, even amounts spent outside California may have an economic impact on the state. It is entirely possible that some inputs to the goods or services purchased outside the state were produced in California. These effects are not measured or included in the total economic impact. California arts organizations spent $49.2 million out-of-state in 1993 excluding capital spending.

9 The estimate of direct employee consumption spending was derived by applying the U.S. ratio of personal consumption expenditures to personal income from the National Income and Product Accounts to the payroll figure. The indirect effect was derived from an estimate of the California personal consumption multiplier from the IMPLAN model.

10 This estimate was derived by Facts Consolidated, Inc., in conjunction with the California Arts Council. It is based in part on the attendance from the surveyed events and on attendance records from grant applications received by the California Arts Council.

11 Specifically, 50 percent of respondents indicated an activity that involved no monetary expenditure when asked "If you were not attending this event today, which of the following do you think you would have been most likely to do instead?"

12 Spending per person by category: Food and Drink, $4.70; Souvenirs, $.70; Transportation, $1.35; all other, $1.65. These averages all calculated over the entire universe of 24 million paid admissions whether or not they actually made a purchase.

13 Marginal income tax rates vary from 0 to 11 percent based on income. According to the Franchise Tax Board, total projected individual income tax revenue in the state is 2.6 percent of Personal Income in 1994.

14 Hotel and motel occupancy taxes are included with sales tax for this analysis. Cities in California levy occupancy taxes between 6 and 12 percent. For these calculations, a rate of 7.75 percent is used, the same as the sales tax.

15 About 40 percent of construction contractor fees are spent on taxable materials. Forty percent of the $121.8 that arts organizations spent on construction is $49 million, which generates $3.8 million in sales tax revenue at 7.75 percent.

16 Jobs includes full-time and part-time jobs for all industries. In 1991 there were the following number of jobs and payroll in these California industries (1993):

California Industry	Jobs	Payroll ($ millions)
Nonprofit Arts Organizations	85,235	319.8
Health Services	937,072	27,707.8
Mining	42,667	1,569.6
Motion Picture Theaters	18,280	151.3
Security and Commodity Brokers	38,276	2,673.9
Beauty Shops	36,408	412.3
Hotels and Motels	172,372	2,302.6

THE ARTIST IN LOS ANGELES COUNTY

By Laura Zucker, Los Angeles County Music & Performing Arts Commission

This survey draws a profile of individual artists living and working in the arts in Los Angeles County. It is the largest survey of such people in a single geographic region, and some of its findings were unexpected. For example, many would be surprised to learn that the typical Los Angeles artist is more likely to possess an advanced degree, participate in politics, and earn a higher income than the average citizen. The following list summarizes some key survey results.

Artists have a high economic profile:

- Artists earn above-average incomes: Artists in Los Angeles County earned an average of $38,400 in 1992. Fifty-three percent of this income was derived from arts activities.
- Artists employ other people: Thirty-five percent of the artists surveyed employ or contract with 10 other individuals to assist in their arts-related activities. Each artist who employed or contracted additional people spent an average of $8,211 for these services.
- Artists spend money to further their abilities: The average amount each artist spent in pursuit of, or in conjunction with, his or her work as an artist was $11,000. When multiplied by the number of artists in the county, that translates into approximately $1 billion spent on supplies, materials, equipment, machinery, services, travel, education, wardrobe, and other work-related needs.

Artists are more involved in the community than most people:

- Eighty-six percent of artists vote.
- Fifty percent actively work as volunteers.
- Seventy-four percent contribute to nonprofit charities or causes.
- Artists move fluidly between the for-profit and nonprofit arts industries and among disciplines.

Artists are satisfied living in Los Angeles County:

- Artists believe that Los Angeles' cultural diversity is one of its primary attractions.
- Artists are not transitory. Fifty-nine percent have lived in Los Angeles for more than 10 years.
- Sixty percent think Los Angeles County is just about the best place, or better than most places.
- Eighty-nine percent cite the opportunities for creative work as the key factor in their decision to live in Los Angeles County.

OVERVIEW

The Survey Focus

This study of the economic impact of individual artists in Los Angeles County was completed with the combined resources of the Los Angeles County Music and Performing Arts Commission and the California Arts Council. Facts Consolidated was consulted on survey design and completed data tabulation. The Los Angeles County Music and Performing Arts Commission assumed primary responsibility for survey design and execution, and for this report of the survey's results.

The primary purpose of the analysis provided in Chapter 1 was to measure the arts' economic impact through expenditures of arts organizations and audiences. An important piece of the complete picture — the impact of individual artists on jobs and our economy — could not be estimated for the entire state given available resources. In order

to nevertheless provide some insight into the economic role of artists and the extent of their involvement in both the nonprofit and the for-profit arts worlds, we conducted the Los Angeles County survey.

This study seeks to find out more about those people who classify themselves as artists professionally — those who would call themselves artists on their U.S. Census forms. Looking at the U.S. Census figures gave us a starting point for what this universe of artists in Los Angeles County looks like — roughly how many artists are practicing in various disciplines. We selected mailing lists from the disciplines we were interested in knowing more about — actors, directors, dancers, choreographers, musicians, composers, writers, and visual artists.

The most focused way to reach large numbers of actors and musicians was through their respective unions. Since we were particularly interested in looking at the relationship between the for-profit and nonprofit arts industries, the union we selected for actors was the Screen Actors Guild. We do not know the percentage of musicians and actors in Los Angeles who do not have any union affiliation. Therefore, the results of this survey may or may not be equally true for those professional actors or musicians who work outside of all unions. Dancers and visual artists, of course, do not have any trade unions, and writers who responded to the survey may or may not be members of the Writers' Guild or Dramatists' Guild.

This study is a snapshot of the group of people who answered the questionnaire. Every care was taken to ensure that this group was representative of the total population of artists working in Los Angeles County, but it is likely that there will be some segment that could be investigated in greater depth in a future study.

About Los Angeles and Its Artists

Approximately nine million people reside in Los Angeles. It is California's most populous county with more than 30 percent of the state's population, making it larger in population than 42 of the 50 states. The county is home to communities that have changed and grown dramatically in the last decade. People from more than 140 countries live in Los Angeles County; it claims the largest Mexican, Armenian, Korean, Filipino, Salvadoran and Guatemalan communities outside the respective home nations, and boasts the largest Japanese, Iranian and Cambodian populations in the United States.

Los Angeles County has one of the country's two major concentrations of artistic talent. The two largest metropolitan areas in the country, New York and Los Angeles, are together the home for more than 14 percent of all U.S. artists. Some 2.97 percent of New York's and 2.66 percent of Los Angeles' civilian work forces are comprised of artists.

As artistic talent is a rare commodity, the percentage of those among us making their living in the arts has always been small, but in recent years the numbers have been growing. As reported by the U.S. Bureau of the Census, artists comprised 1.37 percent of the total civilian labor force in 1990, compared with 1.05 percent in 1980 and 0.92 percent in 1970. These figures represent an increase of 14 percent between 1970 and 1980, and a 30 percent increase between 1980 and 1990. In Los Angeles this increase was even more dramatic: The number of artists resident in the county increased 56 percent from 1980 to 1990. Table 2.1 provides the 1990 U.S. Census detail regarding the number of artists in the major metropolitan area of Los Angeles.[1]

Table 2.1

Artists in the Major Metropolitan Area of Los Angeles

Major Focus as Artist	1990 Census	Percent	Survey Responses	Percent
Actors/Performers/ Directors	24,048	40	611	31.3
Dancers	1,251	2	69	3.5
Musicians and Composers	11,638	20	535	27.4
Visual Artists	11,464	19	299	15.4
Writers/Authors	11,127	19	219	11.2
Totals	59,528	100	1,733	89
Photographers	9,166	72	3.7	
Media Arts	64	3.3		
Producers	33	1.7		
Designers	32,614	21	1.1	
Arts Education	15	.8		
Architects	7,613	12	.6	
Other Arts Related	44	2.3		
Non-Arts Related	16	.8		
Other		7	.4	
Totals	49,393	284	15	

Note: Percentage of respondents exceeds 100 percent because 4 percent of artists indicated more than one discipline as their major focus.

For the purposes of the Los Angeles County survey, we focused on the first five categories of artists listed in the above table and did not attempt to reach photographers, designers or architects in significant numbers. A total of 7,891 surveys were mailed to randomly selected names provided by the following organizations: 1,862 surveys to the Screen Actors Guild; 2,029 surveys to the Musicians Union Local 47; and 4,000 surveys to Community Arts Resources, Inc.

The 1,733 surveys returned by actors, performers, directors, dancers, musicians, composers, visual artists, and writers provide a response rate of 22 percent. Overall, the survey sample represents three percent of the universe of all artists in Los Angeles County in these disciplines. This survey has a margin of error of plus or minus 2.2 percent at a 0.95 level of confidence.

Findings

A Symbiotic Relationship

Los Angeles County is the center of the film and television industries and home to a wide assortment of nonprofit arts endeavors. According to a listing maintained by the Los Angeles County Music and Performing Arts Commission, there are more than 1,000 nonprofit arts organizations, large and small, within the county's borders. Another source, the Arts Inc. Directory, provides information on the larger, more well-established arts organizations by type of organization. Table 2.2 lists by category the number of organizations in the 1991 edition of the Arts Inc. Directory of nonprofit arts organizations in Los Angeles County.

Table 2.2

Nonprofit Art Organizations in Los Angeles County as Listed in Arts Inc. Directory

Art Centers	35
Arts Council/Agencies	15
Arts Service Organizations	55
Cinema	3
Cultural Series Organizations	34
Fairs/Festivals	10
Galleries/Exhibition Spaces	20
Historical Societies/Sites	15
Libraries (specialized)	5
Literary Magazines	2
Media	20
Museums	44
Performance Facilities	10
Dance/Theater/Music Performing	224
Professional Art Associations	14
Schools/Colleges/University Art Depts.	24
Senior Citizens' Center	1
Small Presses	5
Total	536

According to our survey findings, there is tremendous crossover between for-profit and nonprofit arts employment. Musicians may record a film score during the day and play chamber music with a local orchestra at night; actors who shoot a commercial in the morning might perform

in a nonprofit theater that evening. The vital connection between the for-profit and nonprofit arts industries is the individual artist. Commercial television, film and recording industries benefit from the way in which nonprofit arts organizations develop and allow creative employment for artists. In the same way, our nonprofit arts organizations could not exist without the essential employment our for-profit arts industries provide.

- Fifty-three percent of the artists surveyed work solely in the for-profit arts.
- Twenty-one percent work solely in the nonprofit arts.
- Twenty-four percent work in both the for-profit and nonprofit arts.

Income

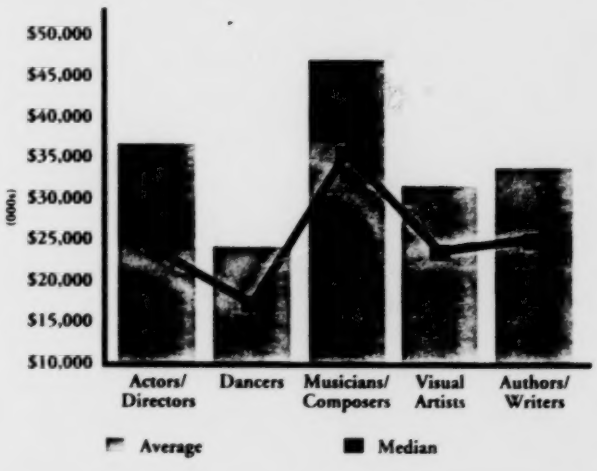
Artists earned an average of $38,400 in 1992. The median household income (regardless of the number of adults who made up a household) in Los Angeles County was $36,869, the California average was $37,686, and the national average was $33,178. The median income for all Los Angeles County artists was $27,100.

Seven percent of Los Angeles County artists earn over $100,000 a year, and 64 percent earn more than $20,000 annually. (This is higher than the national statistics of 48.5 percent earning more than $20,000 as reported in the 1989 survey of artists by the Research Center for Arts and Culture at Columbia University. This same 1989 study reported 68.7 percent of artists in Los Angeles earned more than $20,000.) Fifty-three percent of all artists' income was derived from arts activities. Of this, eight percent came from nonprofit arts activities.

Incomes this high are not surprising in view of the investment artists have made in their education; 50 percent have either attended or graduated from college and 38 percent have attended graduate school or attained a post-graduate degree.

Figure 2.1

Average and Median Salaries by Discipline



More than half of actors and musicians receive the major portion of their income by pursuing their primary vocation: Some 64 percent of actors and directors receive their major source of income from acting or directing, and 71 percent of musicians from playing or composing. Less than half of the writers, dancers, and visual artists, however, receive the major portion of their income from their primary area of interest. Forty-seven percent of writers receive major income from writing, 36 percent of dancers receive their major source of income from dancing, and 30 percent of visual artists from their vocational activities.

In addition to moving between the for-profit and nonprofit arts, artists (particularly performing artists), move among disciplines. Some findings:

- More than 74 percent of artists are actively involved in more than one discipline.
- Twenty percent of actors are also involved in the arts as musicians, composers, or singers, and 43.5 percent as writers.
- Perhaps most interesting of all, 42.3 percent of dancers, 24.2 percent of musicians, and 38.1 percent of writers are also involved in the

arts as actors. (Giving credence to the claim that everyone thinks they're an actor!)

- Visual artists are the least likely to have secondary areas of interest as actors, directors, or dancers, although 31.1 percent also write.

These are not only additional areas of creative interest for artists, but important ancillary sources of revenue as well. Artists receive a material portion of their income from their crossover activities in other disciplines:

- Among actors, 16 percent earn additional income directing, 10 percent dancing, 11 percent as musicians, composers or singers, 16 percent in the visual arts, and 20 percent writing.
- Dancers are likely to receive additional income in the visual arts (26 percent) or acting (19 percent).
- Musicians and writers both earn additional income acting (16 percent and 19 percent respectively).
- Among visual artists, some 12 percent supplement their income as writers.

Clearly, this is a work force comprised of people with multiple skills, able to respond quickly to shifts in employment trends. Finally, note that only 0.3 percent of the artists we surveyed described themselves as unemployed.

Jobs and Economic Impact

When the average artist's salary is multiplied by the number of artists, implied total 1992 earnings for Los Angeles County artists comes to about $4 billion. If we use the median salary, the total figure is just under $3 billion.

Some 35 percent of the artists surveyed employ or contract other individuals to assist in their arts-related activities. Thus, it appears that employment in the arts may generate significant additional employment. Each artist who employs or contracts with others creates jobs for an average of 10.6 people. Each artist who employed or contracted additional people spent an average of $8,211 for these services.

The average amount each artist spent in pursuit of, or in conjunction with, his or her work as an artist was $11,000. When multiplied by the number of artists in the county, that translates into approximately $1.2 billion spent on supplies, materials, equipment, machinery, services, travel, education, wardrobe, and other work-related needs.

Home and Work Space

Just over 40 percent of Los Angeles County artists own their homes. This percentage is highest among musicians (60 percent) and lowest among dancers (22 percent), which correlates with average income levels of these disciplines. Thirty-six percent of Los Angeles County artists own or rent their work space within the county. Not surprisingly, some combine home and workspace: Twenty-four percent own or rent a combination of work and living space in Los Angeles County.

Civic Involvement

> "I am involved with my community. I want my work to be accessible to the audience it is meant for and right now that audience is in Los Angeles. Also, there are like-minded artists here."

> "Though I do not actively work as an actress now, my focus in the arts is as a volunteer in school and church drama activities."

Artists in Los Angeles actively participate in a wide variety of civic activities, at a much higher rate than the population at large. In the 12 months prior to receiving the survey, artists participated in their communities in the following ways:

- Eighty-six percent voted in a federal, state or local election. (Thirty-seven percent of California residents voted in the June 1994 non-presidential election.)
- Forty-three percent wrote to an elected official about some matter of public opinion.
- Thirty-nine percent wrote or telephoned a radio or TV station.
- Thirty-seven percent engaged in fund-raising.
- Thirty-seven percent took an active part in some local civic issue.
- Thirty-four percent wrote a letter to the editor.
- Thirty-four percent addressed a public meeting.
- Sixteen percent actively worked for a political party or candidate.
- Thirteen percent personally visited an elected official.

Artists are major supporters of nonprofit arts activities. During the 12 months prior to receiving the survey:

- Fifty percent actively worked as a volunteer in a nonprofit charity or cause, and 35 percent of these artists volunteered for a nonprofit arts organization.
- About 74 percent contributed money to a nonprofit charity or cause. Fifty-three percent of these donors gave to nonprofit arts organizations.
- Dancers and writers are particularly supportive of nonprofit arts organizations: Sixty-two percent and 64 percent of dancers and writers respectively contributed to nonprofit arts organizations last year.

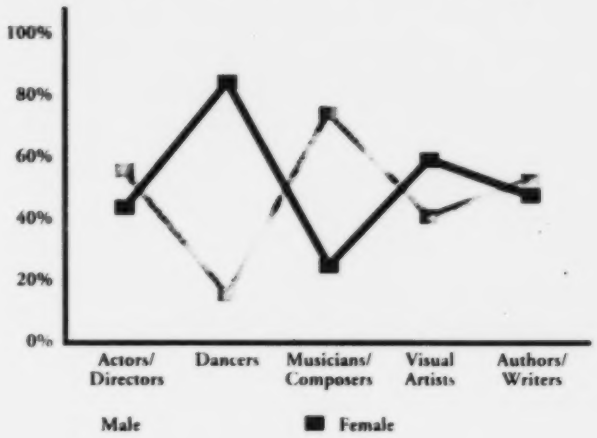
Artists also support cultural events as patrons. In the 12 months prior to receiving the survey, 68 percent attended cultural events 10 times or more, 18 percent five to nine times, and 11 percent attended between one and five times. All in all, writers are the most frequent patrons of arts events — 85 percent of those surveyed typically attend 10 or more events annually.

Gender

While women outnumber men in the United States' general population (51.3 percent to 48.7 percent), there are more male artists (56 percent) than female artists (44 percent). This trend is particularly pronounced among musicians: Seventy-five percent are male. In two artistic disciplines women dominate the field: Eighty-four percent of dancers and 59 percent of visual artists are female (see Figure 2.2).

Figure 2.2

Percentage of Male and Female Artists by Discipline



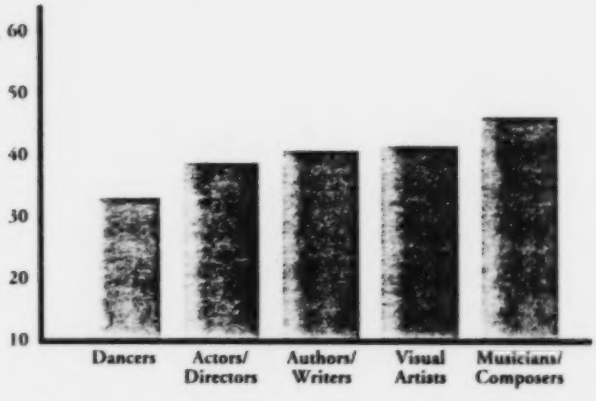
As in many other professions, male artists earn more than female artists. Male artists' average annual income is $43,400 while female artists' average income is $31,700.

Age

The (average) age for all artists is 41.7 years, with dancers averaging the youngest (33.3) and musicians averaging the oldest (46.5). Figure 2.3 provides average age by discipline for various artists.

Figure 2.3

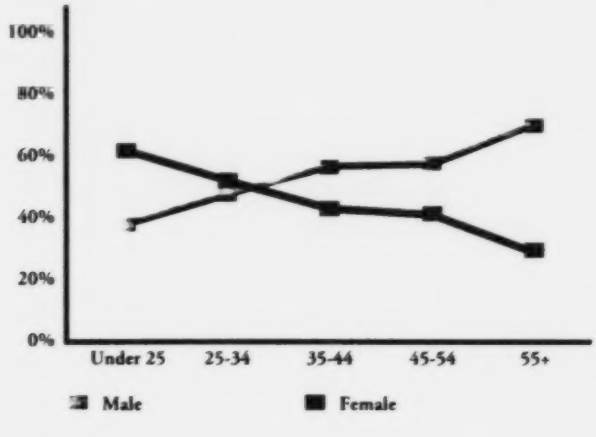
Average Age of Artists by Discipline



In the younger age groups, women make up a greater proportion of employed artists; in the oldest category the ratio shifts radically to men (see Figure 2.4).

Figure 2.4

Percentage of Male and Female Artists by Age Group



Ethnicity

As of the 1990 Census, the population in Los Angeles County is 41 percent Caucasian, 38 percent Latino, 11 percent African American and 10 percent Asian/Pacific Islander. Compared to the population at large in Los Angeles County, a disproportionate percentage of all artists are Caucasian (82 percent), with a striking imbalance between the percentage of Latinos in the county (38 percent) and the proportion of Latino artists within the total (five percent, see Table 2.3). Within the Los Angeles County Latino artists, 32 percent are actors or directors, 22 percent are visual artists, and 15 percent are musicians. Among the county's African American artists, 36 percent are actors or directors, 26 percent are musicians, and eight percent are visual artists.

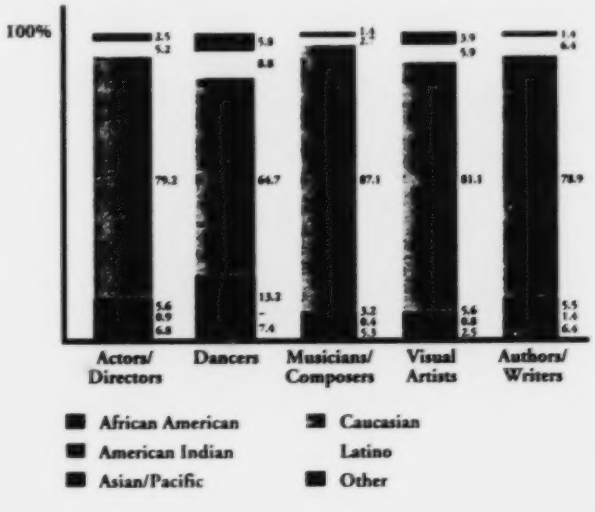
Table 2.3

Distribution of Artists by Ethnicity Contrasted with Total Population of Los Angeles County and National Population

	% Artists in L.A. County	% L. A. County Population	% National Population
African American	5.6	10.5	12.1
American Indian	0.7	0.3	0.8
Asian/Pacific Islander	5.2	10.2	2.9
Caucasian	81.6	40.8	71.3
Latino	4.9	37.8	9.0
Other	2.0	0.4	3.9

Figure 2.5

Ethnicity and Artistic Discipline



A Force for Cultural Understanding

Fourteen percent of artists, of all ethnicities, feel that the ethnic diversity of Los Angeles is one of its primary attractions:

- "Anything you could possibly want culturally is here."
- "Multicultural, exciting, constantly changing, creating and rediscovering itself over and over again."
- "Ethnic diversity, heterogeneity, alternative voices, artists, spaces, thinking, high energy."
- "It is a futuristic city by the makeup of its population — I have learned so much from the people in this city."

Artists understand how the blending of diverse cultural traditions brings vibrancy to their work, and are expert at communicating an understanding of different cultures to audiences.

Gender, Age, and Salary

Table 2.4 provides cross-tabulations between artists' gender, ages, and salaries by occupational group. Musicians are the most highly compensated by far, with actors running a distant second. Note the apparent correlation between gender, age, and income; young women employed as dancers have the lowest average salaries.

Table 2.4

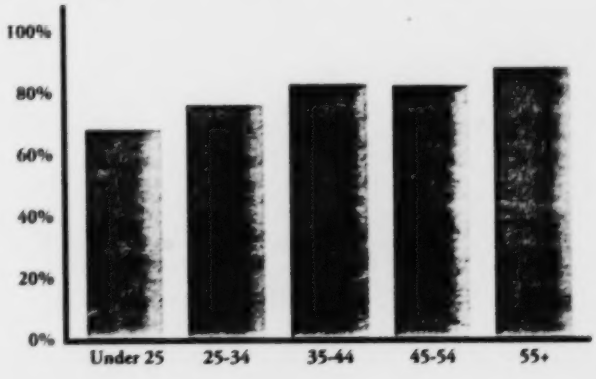
Influence of Gender and Age on Salaries in the Arts

	% Male	% Caucasian	Avg. Age	Avg. Salary
Musicians/Composer	74.7	87.1	46.5	$47,200
Actors/Directors	55.8	79.2	39.0	$36,700
Authors/Writers	51.8	78.9	41.1	$33,900
Visual Artists	41.0	81.1	41.6	$31,700
Dancers	15.9	64.7	33.3	$24,200

The sample was overwhelmingly Caucasian, indicating that the ethnicity of Los Angeles County's artists may be more uniform than had been suspected. There is some evidence, however, that the predominance of Caucasian artists is changing (see Figure 2.6). When one looks at the ethnic breakdown by age, there are smaller percentages of artists under the age of 25 who are Caucasian (69 percent) and between the ages of 25 and 35 (77 percent), indicating a greater diversity among younger populations.

Figure 2.6

Percentage of All Artists Who Are Caucasian



Commitment to Community

"This is my home for the last 70 years."

Contrary to popular impressions, artists are not a transitory group.

- Almost 60 percent have lived in Los Angeles County for more than 10 years.
- Twenty-one percent have lived in Los Angeles County between five and 10 years.

These results are not surprising since 15 percent of artists think that Los Angeles County is about the best place to live, and 46 percent of artists think that Los Angeles County is better than most places. Visual artists are particularly satisfied with Los Angeles County — 49 percent think it is better than most places. Not all Los Angeles County artists are thrilled with their surroundings: Twenty-one percent think Los Angeles County is no better or worse than anyplace else, 17 percent think that Los Angeles County is worse than most places, and three percent think it is just about the worst place they could live!

Plans to stay in Los Angeles County or relocate are in sync with perceptions of the county. Some 62 percent do not plan to relocate. The key reasons artists specify for wanting to stay in Los Angeles County include:

- Almost 90 percent cite the opportunities for work, employment, and career advancement, or that Los Angeles County is the center of the entertainment/art/film industries, or the opportunity to network with other professionals. Availability of creative work is the overwhelming factor in deciding on location for artists.
- Twenty-two percent find the presence of cultural and artistic events and activities key.
- Twenty-one percent cite the weather or climate.
- Seventeen percent stay because of relationships with family or friends. The presence of other artists often creates the feeling of an extended family.

Some responses from the artists surveyed to the question, "Why do you choose to stay in Los Angeles?" are listed below:

> "Good pay, good job, good cultural opportunities. Friends, home, canyon, mountains, beach."
>
> "Vibrancy of place, culture, work availability and variety, entertainment industry."
>
> "This is where the action is."
>
> "My work is here; my husband's work is here. And this angry, difficult city is an exciting place to be."
>
> "Availability of dynamic arts community... The people — the cultures."
>
> "I strongly believe that Los Angeles is becoming the cultural epicenter of the world. It is the city of the future — apocalyptic, even."
>
> "I've been in every major city in America. I toured for three years. Los Angeles is where I choose to stay."

Why Leave?

Of the 38 percent of artists who are thinking about moving, 13 percent plan to relocate to another location within the county and nine percent intend to move to another location within California (22 percent of these artists would move to San Francisco or other Northern California locations). Only 13 percent plan to relocate outside the state, and of this number 14 percent would go to New York. (This number was higher for actors and directors, 25 percent of whom would relocate to New York City.)

Some of the artists thinking about relocating aren't sure where they would go:

> "That's the problem, I don't know. I would want to move to a place that was as diverse a place as Los Angeles, without the crime or the pollution, and I don't know of anyplace in the U.S. like that."
>
> "I need a change. I want an older, more charming city. Less crime. The usual grass is always greener syndrome."
>
> "Dreams of living in paradise."

Artists would relocate because:

- Forty-three percent cite crime, violence, drugs, gangs, or a lack of personal safety. This perception is particularly high among musicians (52 percent). More men (44 percent) are concerned about this issue than women (41 percent).
- Twenty-nine percent are concerned with smog or pollution. Artists are assumed to be more environmentally conscious than the population at large.
- Twenty-three percent cite traffic, lack of public transit, or noise.
- Sixteen percent view Los Angeles County as overcrowded with people.
- Twelve percent cite the apathy toward the arts, lack of public support or lack of funding for

the arts. This feeling is particularly high among dancers (28 percent) and writers (20 percent).

- Thirteen percent are concerned with the high cost of living.
- Nine percent cite the absence of lifestyle amenities.
- Eight percent cite earthquakes and other natural disasters. (These responses were collected in the month directly following the Northridge Earthquake.)
- Eight percent cite the recession or lack of work.
- Eight percent cite their perception that there is too much poverty in the county.

Among the general population, the July 17, 1994, *Los Angeles Times* poll found that people pointed to crime, housing costs and hopes of better work as the main reasons for wanting to move out of the county. While crime is at the top of artists' list of problems, economic concerns are considerably lower. Los Angeles County will continue to benefit from the large numbers of artists who choose to make this their community as long as it remains a center for creative employment and expression.

Notes

1 Current estimates of the number of artists living and working in Los Angeles County drawn from California Department of Employment figures put the county's artist population at more than 150,000 (excluding part-time contract workers).

Chapter Three

The Motion Picture and Television Industry in California

By Dr. Richard Boykin, Transfer Pricing and Economic Analysis Group, KPMG Peat Marwick LLP

Introduction

California's motion picture and television industry tends to dominate public perceptions of the Golden State. Whether the film industry is actually representative of what it means to be Californian is, of course, debatable, but it is unarguably true that the industry is a key component of the state's economy. For example, the motion picture and television industry was responsible for at least $13.5 billion of spending in California during 1992. Annual wage and salary expenditures by the industry in that year were approximately $3.7 billion.

This industry draws on the abilities of a broad spectrum of artists. Standing behind the actors performing their on-screen roles are legions of supporting artists and craftspeople. Writers develop scripts; composers and musicians set film scores; designers create sets, costumes, and character appearance, to name but a few. All of these creative disciplines are served by active nonprofit institutions, of which there are more than 1,000 in Los Angeles County alone. All indications are that the motion picture and television industry exists in a vital partnership with these nonprofit talent pools.

These then are the reasons that the California Arts Council and KPMG Peat Marwick LLP set out to measure the size and economic effects of the motion picture and television industry in California:

- The industry and the state are inextricably linked in the public's mind;
- Motion picture and television industry spending is of great economic importance to California; and
- An interdependency exists between the motion picture and television industry and the nonprofit arts world analyzed in Chapter 1.

This chapter offers summary data delineating the general economic dimensions of California's motion picture, video tape production, and distribution industry.[1] Some highlights of our findings:

- Although the industry has spread throughout the state — 36 California counties have at least one motion picture industry firm — it remains concentrated in Southern California. Ninety-five percent of all motion picture and television businesses are located in Los Angeles and the surrounding counties. The other appreciable concentration of firms is located in the Bay Area, which has about three percent of the industry. San Francisco, Marin, and Alameda are among those Northern California counties experiencing an extended period of growth in creation of motion picture and television businesses.
- Average establishment size is surprisingly small. Between 1987 and 1992 California had about 4,000 motion picture and television industry establishments employing an average of 15 people each. Annual employment data indicate a sharp reduction in jobs in 1992, but the monthly figures from that year point to a possible rebound in the second half. Average employment per establishment in 1992 was 11.
- Motion picture and television industry staff employment dipped in 1992, but the number of employers has been going up. Between 1987 and 1992 the number of motion picture and television industry establishments increased by 11 percent. In 1992 the increase was five percent.
- Motion picture and television industry jobs are well-paying. For the six-year period ending in 1992, average staff wages and salaries increased 13 percent annually from just over $50,000 in 1987 to more than $80,000 in 1992.

The Data

For the task of depicting the motion picture and television industry's economic presence in California, the California Arts Council has drawn upon data provided by the Franchise Tax Board (FTB) and data from quarterly unemployment insurance (UI) reports filed by California businesses with the California Employment Development Department, Labor Market Information Division.[2] Where possible, we collected data for more than one year in order to provide comparisons.

With respect to the FTB data, the intent was to draw a representative sample from the complete population of motion picture and television industry firms filing California tax returns using Form 100.[3] The first step was identification of the population of motion picture and television industry firm tax returns from among the complete set of tax returns maintained on data tapes by the FTB. One indicator of whether a tax return filer is in the appropriate industry is the industry designation field on California's Form 100. The Form 100 designation that a motion picture and television industry firm might select is 7812,[4] Motion Picture Production, Distribution, and Services.

However, we could not rely solely upon the taxpayer's identification of the firm's business, because some firms that are in the motion picture and television industry will not, for various reasons, classify themselves using 7812. In order to be certain that the population from which our motion picture and television industry sample was taken was reasonably complete, we consulted the *Pacific Coast Studio Directory*.[5] We provided the FTB with a listing of all firms identified in the *Directory* as distributors, production companies, or studios. The FTB then attempted to ensure that the motion picture and television industry population selected for sampling included all of 7812 plus any of the selected *Directory* firms not identifying themselves using 7812 on their California tax returns.

From their master file of all returns filed, the FTB first estimated the population size (approximately 10,000), and then selected a stratified, random sample of 310 firms. The stratification was done on the basis of 1992 California net income. From the total population of returns, the FTB counted the number of returns by California county for both 1987 and 1992.[6] From the sample, the FTB estimated aggregated values for tax return items selected by KPMG Peat Marwick LLP.

Collecting UI data was much simpler. As with the FTB, these data are compiled using the SIC system, and 7812 remains the relevant industry code.[7] Employers file the UI forms quarterly, and the establishment and employment data available from that population of employers includes (quarterly, and for all reporting industries):

- The number of establishments;
- Total employment in all establishments within an industry; and
- The total payroll.[8]

An important distinction between the FTB and the UI data relates to the basic business unit. For the FTB, the unit is a corporation, while for the UI program, an establishment is any business location having a quarterly payroll. Thus, a corporation (one FTB business unit) could have any number of establishments.[9] Furthermore, a business that is not a corporation[10] would still be included among unemployment insurance filers. The definition of an establishment used by the California Employment Development Department is the one developed by the Office of Management and Budget for the standard industrial classification system:

> ...an establishment is an economic unit, generally at a single physical location, where business is conducted...an establishment is not necessarily identical with the enterprise (company) which may consist of one or more establishments.[11]

UI data are also available by county. However, due to confidentiality requirements at the SIC 7812 level of industry detail, county-level UI information is suppressed for all but those counties having substantial numbers of establishments. Where possible, we also provide motion picture and television industry county information from the UI data set.

The Film Industry in California: Size and Distribution

Table 3.1 provides the total number of firms within the motion picture and television industry filing tax returns in California in 1987 and 1992. The data indicate that the California-based portion of the industry grew slightly over that six-year period: The number of in-state motion picture and television industry corporations increased four-tenths of a percent (by 34 firms). In contrast, 20 fewer out-of-state motion picture and television industry corporations filed in 1992.

Table 3.1

Motion Picture and Television Industry Corporations Filing California Tax Returns

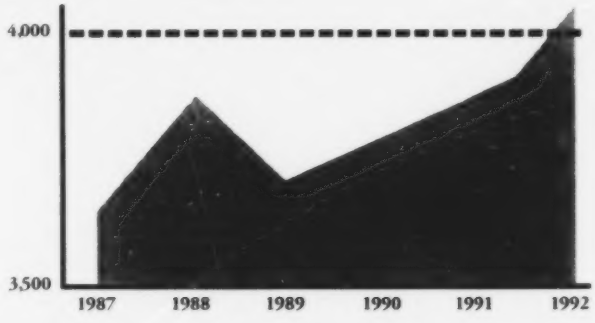
	1987	1992	% Change
Number			
Total	8,562	8,576	0.2%
Out-of-State	700	680	-2.9%
In-State	7,862	7,896	0.4%
Percent			
Out-of-State	8.2%	7.9%	
In-State	91.8%	92.1%	

The important thing to note about the FTB figures given above is the very high number of California corporations making up the total. California requires any corporation doing business[12] in California to file a California return; thus there are a great many U.S. firms incorporated in other states that file California state tax returns. For any business one could name, the vast majority of filers would not be in-state firms. In the motion picture and television industry, however, over 90 percent of filers are California corporations.

Although Table 3.1 reveals only a modest growth in motion picture and television industry *corporations* over the 1987 to 1992 period, UI data reveal a strong growth in motion picture and television industry *establishments* between 1987 and 1992. Figure 3.1 charts the increase in motion picture and television industry establishments from about 3,700 in 1987 to well over 4,000 in 1992, a gain of about 11 percent in that six year period.[13]

Figure 3.1

California Motion Picture and Television Industry: Number of Establishments



Distribution of motion picture and television establishments within California is diverse. FTB data show that 62 percent of California's 58 counties have at least one motion picture and television business. Figure 3.2 illustrates 1992 distributions of establishments by county. Four counties, Los Angeles, San Francisco, Orange, and San Diego, contain about 92 percent of all establishments. The bulk of the business remains overwhelmingly located in Los Angeles County, which alone has about 85 percent of all businesses. Tables 3.2 and 3.3 provide the figures.

Table 3.2

California Motion Picture and Television Corporations: Los Angeles County

	1987	1992
Number		
Total	7,862	7,896
L.A. County	7,172	7,284
Other Counties	690	612
Percent		
Other Counties	8.8%	7.8%

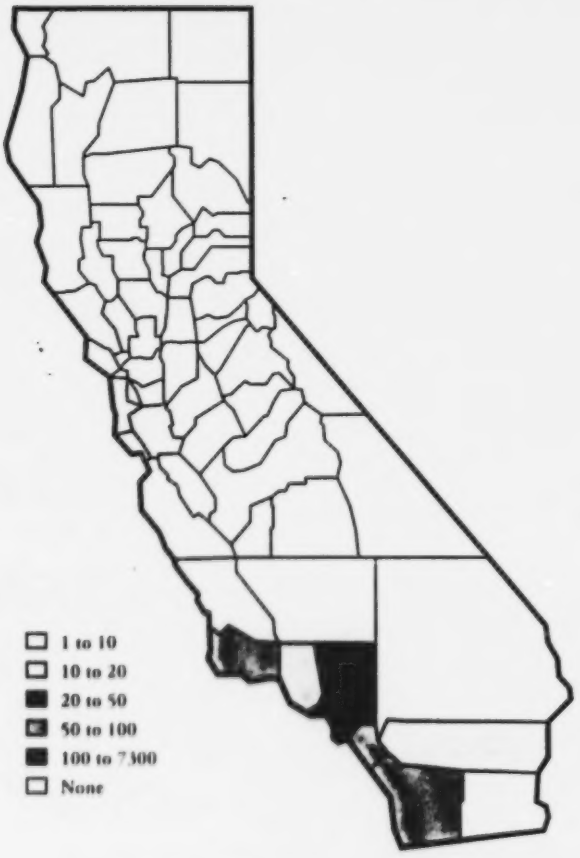
Table 3.3

California Motion Picture and Television Establishments: Los Angeles County and Other Locations

	1987	1988	1989	1990	1991	1992
Los Angeles	87.6%	87.2%	86.8%	86.3%	85.6%	85.3%
Orange	1.5%	1.7%	1.8%	1.8%	1.9%	1.9%
San Diego	1.4%	1.4%	1.4%	1.4%	1.5%	1.5%
San Francisco	2.7%	2.6%	2.6%	2.6%	2.6%	2.5%
Other	6.8%	7.1%	7.5%	7.9%	8.4%	8.8%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Figure 3.2

Distribution of Motion Picture and Television Corporations within California: 1992



One interesting feature of motion picture and television business distribution within California is the gradual growth of a second center of industry activity — the San Francisco Bay Area. Anecdotal evidence has it that, because of the increasingly important role of technology in the industry, the Bay Area is becoming a hub for enterprises supporting film production. Figure 3.3 bears out that there is indeed a growth trend for motion picture and television industry firms in the Bay Area. The graph provides annual establishment counts for San Francisco and Alameda counties since 1984, showing a clear pattern of expansion.

Figure 3.3

Growth in Northern California Motion Picture and Television Industry Establishments

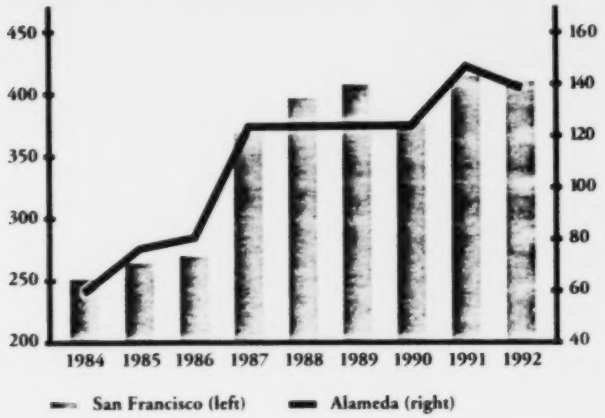
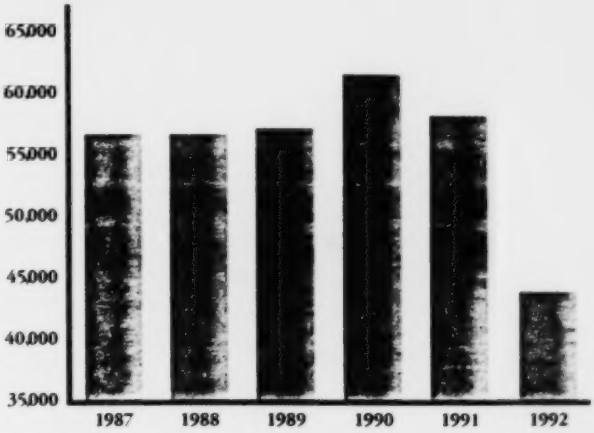


Figure 3.4

California Motion Picture and Television Industry Staff Employment



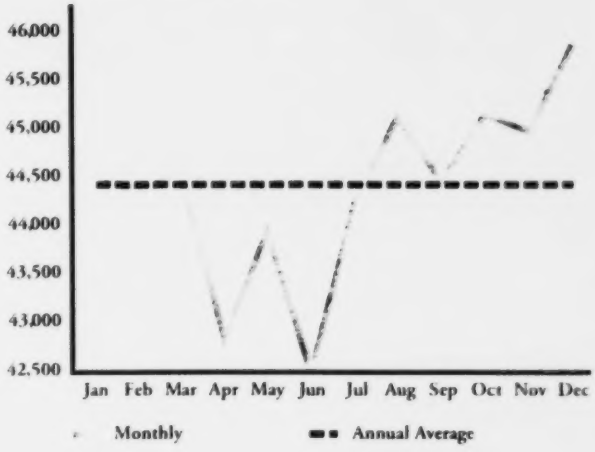
Employment in the Motion Picture and Television Industry in California

Although the number of motion picture and television industry establishments operating in California has been increasing fairly steadily since the mid-1980s, employment within those establishments has not consistently increased. Motion picture and television industry staff employment levels are charted in Figure 3.4.

Staff employment dropped from a recent peak of just over 60,000 in 1990 to under 45,000 in 1992. Evidence of progress towards a recovery from the 1992 decline is seen in the monthly staff employment numbers, which are tracked in Figure 3.5. By December 1992, staff employment had climbed by 3,500 from 42,500 (in June) to 46,000.[15] Given this trend, it may be that motion picture and television industry staff employment is again approaching near pre-recession levels.

Figure 3.5

1992 Monthly Motion Picture and Television Industry Staff Employment



The path of motion picture and television industry staff employment relative to the number of establishments since 1987 is illustrated in Figure 3.6. In the figure, the annual number of establishments and total staff employment has been converted into an index and based (i.e., set equal to one) in 1987. After 1990, increasing numbers of establishments employed fewer people.

Figure 3.6

Motion Picture Industry in California, Indexes of Establishments and Staff Employment

Figure 3.7 focuses on the annual percentage change in motion picture and television industry staff employment. After two years of little fluctuation (1988 and 1989), staff employment grew 10 percent in 1990, dropped 5 percent the following year, and then fell sharply, declining 25 percent. The average 1992 staff employment figure is 23 percent lower than employment in 1987.

Figure 3.7

Annual Percentage Changes in California Motion Picture and Television Industry Staff Employment

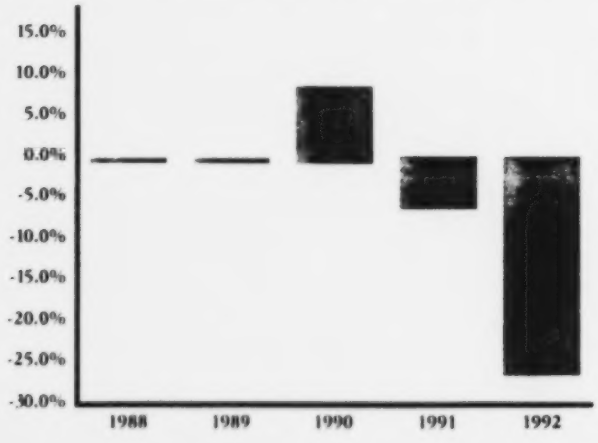


Table 3.4 shows the average motion picture and television industry establishment size. Perhaps the most interesting point revealed by the data on establishments is that the 4,000 or so entities are, on average, small business units. In addition, the 1992 drop in employment appears to represent a shift downward from a fairly stable average per establishment figure of about 16 full- and part-time staff employees.

Table 3.4

California Motion Picture and Television Industry Staff Per Establishment: 1987 to 1992

	1987	1988	1989	1990	1991	1992	Average
Employment	57,303	57,176	57,380	62,640	59,185	44,295	56,330
Establishments	3,665	3,900	3,710	3,796	3,884	4,084	3,840
Average Employment	16	15	15	17	15	11	15

Economic Activity Among Motion Picture and Television Industry Corporations in California

Corporations filing California income tax returns must report total corporate income, sales, deductions (costs), and assets and then apportion their business income[16] to California based on the state's shares of their total property, payroll, and sales. For property, the relevant proportion is that amount owned or used in California; in the case of payroll, California compensation is divided by total corporate compensation; and for sales, gross receipts attributable to California are divided by total gross receipts. (Appendix Table 3A.2 provides an example of how California apportionment is calculated.)

The average 1992 apportionment percentage for all of the corporations in the sample drawn by the FTB for our purposes was about 40 percent.[17] There are three separate apportionment factors representing California's share of property, wages, and sales within the taxpayers' totals. The individual 1992 apportionment factors are:

- Property, 26.2 percent;
- Wages and salaries, 74.1 percent; and
- Sales, 40.1 percent.

Table 3.5 provides summed figures from Form 100's Schedule F, which approximates portions of an income statement. Gross receipts less cost of sales leaves gross profits, after which other forms of income are categorized. Table 3.6 provides deductions. Both tables refer to 1992.

Table 3.5

1992 California Motion Picture and Television Industry Establishment Payroll
(thousands of dollars)

Gross Receipts	$18,209,342,473
Cost of Goods Sold	$10,651,597,553
Gross Profit	$7,557,744,927
Dividends	$265,552,454
Interest on U.S. Obligations	$14,746,045
Other Interest	$228,935,157
Gross Rents	$276,687,309
Gross Royalties	$78,701,030
Capital Gain Net Income	28,682,839
Ordinary Gain (loss)	($291,367)
Other Income	$1,385,011,806
Total Income	$10,209,538,573

Table 3.6

Motion Picture and Television Industry Corporations in California: 1992 Deductions

Compensation of Officers	$2,276,587,570
Salaries and Wages	$1,221,637,640
Repairs	$43,369,845
Bad Debt	$466,518,998
Rents	$198,180,161
Taxes	$220,359,614
Interest	$1,533,771,906
Contributions	$3,975,756
Depreciation	$655,389,185
Depreciation Claimed Elsewhere	$142,639,175
Total Depreciation	$487,649,549
Advertising	$118,231,929
Pension, Profit-Sharing Plans	$67,579,785
Employee Benefit Plans	$66,015,313
Other Deductions	$4,172,611,027
Deduction for 23201r/23701t Organization	$28,386,680
Other Book Expenses	$2,019,027,759
Total Deductions and Book Expenses	$12,890,993,155

Perhaps the most useful information relates to spending. To derive total spending, we simply add the cost of goods figures from Table 3.5 to total deductions from Table 3.6 and subtract depreciation (which is not an actual 1992 expenditure). The total is about $23.6 billion. To estimate the minimum share of this expenditure one would expect to have taken place in California, we averaged the wage and salary and sales apportionment factors and apportioned total expenditures to California by multiplying this average by the expenditure total. The result is an estimate of about $13.5 billion of in-state spending by the motion picture and television industry. (Note that a recent film industry estimate using a different methodology placed the California portion at about $16 billion.)[18]

By extracting certain expenditure items from the deductions schedule and combining those costs with appropriate components of cost of goods sold, we can separate wage, salary, and benefits spending from the total. Table 3.7 provides the breakdown of cost of goods from Form 100, Schedule V.

Table 3.7

California Motion Picture and Television Industry Corporations: Composition of Cost of Goods

Inventory at Beginning of Year	$256,710,117
Purchases	$1,950,297,010
Cost of Labor	$440,710,514
Additional IRC Section 263A Costs	$4,338,310
Other Costs	$8,244,539,561
Total	$10,898,817,513
Inventory at End of Year	$294,019,150
Net	$10,604,798,363

From Tables 3.6 and 3.7 we can combine all wage and salary costs as follows:

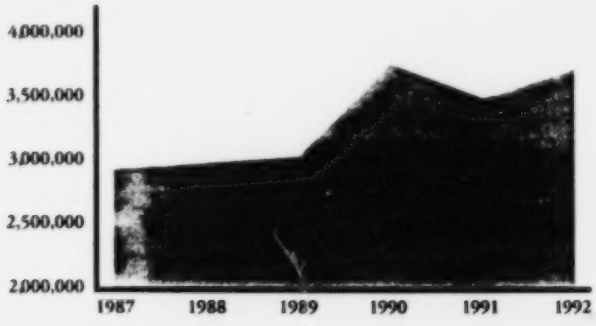
Officers Compensation	$2,276,587,570
(General) Salaries & Wages	$1,221,637,640
Direct Labor	$440,710,514
Total	$3,938,935,724

As noted, these are totals; only some portion of the $3.9 billion is earned by Californians. Given the 1992 wage and salary apportionment factor of 74.1 percent provided above, the California wages and salaries paid by the motion picture and television industry are estimated to be about $3 billion.

Supporting evidence is provided by motion picture and television industry establishment payroll figures from the UI data. Figure 3.8 charts annual SIC 7812 establishment wages and salaries from 1987 to 1992; the 1992 figure is about $3.7 billion.

Figure 3.8

1992 California Motion Picture and Television Industry Establishment Payroll



Combining the UI employment data with the staff wage and salary data provides us with the average California motion picture and television industry staff wage (net of benefits unless taken in a lump sum). Table 3.8 has the figures: On average, from 1987 to 1992, mean staff wages were about $59,000. The average annual increase over that period was 13 percent.

Table 3.8

California Motion Picture and Television Industry Establishment Staff: Wages and Salaries, Employment, and Average Wages, 1987 to 1992

	1987	1988	1989	1990	1991	1992	Average
Wages and Salaries (Millions)	$2,898	$2,962	$3,048	$3,663	$3,444	$3,647	$3,277
Employment	57,303	57,176	57,380	62,640	59,185	44,295	56,330
Average Wage	$50,574	$51,797	$53,122	$58,484	$58,190	$82,334	$59,083
Percent Change	21%	2%	3%	10%	-1%	41%	13%

SUMMARY

These data, when viewed in conjunction with the findings presented in Chapter 2 (The Artist in Los Angeles County), indicate that California's motion picture and television industry attracts artists, not only because of the opportunity to practice their profession before a vast audience, but also for very sound economic reasons — the jobs are here and they are well-paying.

Furthermore, although there have been concerns that the film industry and its related endeavors may gradually migrate out of California, we see no such trend in either the tax return or the unemployment insurance data. It is possible that a longer-term view or better data would tell us that the industry in California is growing more slowly than in the past, but there is nothing in our figures that lead to that conclusion.

The data on establishments provides tantalizing evidence of the type of dynamic growth so important to a state or regional economy. The economic theory addressing this dynamic is found in the professional literature covering both economic development and industrial organization. The basic picture that emerges from this research is that certain industries create a vital web of strong supporting enterprises, both upstream and downstream from the core industry. Because there is growth and opportunity for reward, the people attracted to these enterprises are rich in the rarest of economic attributes — entrepreneurial talent.

When enough relationships are developed, a critical mass is achieved and the process becomes self-sustaining.

California has long had the film industry, and that industry has a sizable cast of supporters. As the industry changes, and new technologies are applied, a link is formed between film-making and California's other success story, high technology firms from the Bay Area to Orange County. This particular linkage and dozens of others like it are vital to California's long-term economic health, producing, among other benefits, growing industries able to absorb labor from declining ones.

The California Arts Council economic impact study, like all good analytical efforts, leaves us with as many questions as answers. Topics for investigation include:

- How exactly does the arts world support the entertainment world?
- To what extent is nonprofit arts activity a training ground for future motion picture and television industry leaders?
- Is there a contingent of professionals who move regularly back and forth from one sphere to the other?
- What opportunities are created for artists by the evolution of computer-based technologies as applied to entertainment?
- Will California's existing base of entertainment and technology industries give the state an edge in hosting future entertainment enterprises?

More needs to be done. But we believe this much is clear: California's arts industry has an appreciable economic clout in its own right, and it is part of a bigger, more complex set of activities, an economic ecology really, that surrounds us and sustains us.

Appendix 3A: California Counties and Apportionment Data

Table 3A.1

California Counties

Alameda	Kings	Placer	Shasta
Alpine	Lake	Plumas	Sierra
Amador	Lassen	Riverside	Siskiyou
Butte	Los Angeles	Sacramento	Solano
Calaveras	Madera	San Benito	Sonoma
Colusa	Marin	San Bernardino	Stanislaus
Contra Costa	Mariposa	San Diego	Sutter
Del Norte	Mendocino	San Francisco	Tehama
El Dorado	Merced	San Joaquin	Trinity
Fresno	Modoc	San Luis Obispo	Tulare
Glenn	Mono	San Mateo	Tuolumne
Humboldt	Monterey	Santa Barbara	Ventura
Imperial	Napa	Santa Clara	Yolo
Inyo	Nevada	Santa Cruz	Yuba

Figure 3A.1

California: Selected Counties

Table 3A.2

Apportionment Example

	Factor	Total	California
Percentage			
Property			
Buildings	100	20	20%
Machinery	50	20	40%
Inventory	50	20	40%
Subtotal	200	60	30%
Payroll	100	70	70%
Sales	400	160	40%
Total			140%
Average (Total/3)			47%

Notes

1 Throughout this chapter, the term "motion picture and television industry" is used to refer to the Standard Industrial Classification (SIC) industry 7812 — Motion Picture and Video Tape Production and Distribution. Note that until 1988 there were separate codes, 7813 and 7814, for "Motion Picture Production Except Television" and "Video Tape Production for Television," respectively. In 1988 the two were combined into 7812 and separate data were no longer compiled.

2 The Employment Development Department collects this information in cooperation with the Department of Labor, Bureau of Labor Statistics (BLS).

3 California corporations filing on Form 100 include corporations, banks, trusts, and publicly-traded partnerships.

4 FTB industry designations are taken from the Standard Industrial Classification (SIC) system.

5 *Pacific Coast Studio Directory*, January 1994, published by Mr. Jack C. Reitz, Pine Mountain, California.

6 Data for counties having fewer than 10 returns were masked by combining all counties into regions. If a county had fewer than 10 returns, no figure was reported at the county level, but regional figures include motion picture and television industry firms for all counties in the region.

7 Staff employment includes all full- and part-time personnel.

8 Payroll is wages and salaries including lump sum payments for such things as bonuses or vacation time converted to a payment.

9 The exact rule followed by the BLS is as follows: If a firm has more than one location (establishment), they are requested to designate one as the primary location. If the sum of all employees at non-primary locations exceeds ten, the employer is requested to file a supplementary form for the other locations. Naturally, the BLS realizes that there are businesses for which the UI data, while embracing all employees and their wages, may not count all establishments due to under-reporting.

10 For example, a sole proprietorship, or a partnership not publicly-traded.

11 Office of Management and Budget, *Standard Industrial Classification Manual*, 1987, page 12.

12 "Doing business" in California is defined as "actively engaging in any transaction for the purpose of financial gain." Filers include all corporations doing business in California, whether incorporated in California or elsewhere.

13 Since our population of firms from which the FTB data were drawn was augmented by the addition of those businesses listed in the *Pacific Coast Studio Directory*, our definition for MPI corporations is likely to be effectively broader than the SIC 7812 definition under which the establishment data are collected. We have no other explanation for the difference in the FTB and UI MPI establishment counts.

14 See Appendix 3A for a county map of California wherein county names are listed.

15 Note that a recent study by the Alliance of Motion Picture and Television Producers estimates current employment in "motion picture, television and commercial production" to be comprised of 52,000 staff, 95,000 freelance, and 17,000 specialized suppliers, for a total of 164,000. The 1992 established employment figure of some 46,000 is roughly comparable to the 52,000 staff figure. It is also important to note that the UI employment data greatly understate the full impact of the motion picture industry on employment in California. Motion picture and video tape producers are known to rely heavily on temporary employees provided on contract with firms not necessarily classified in SIC 7812 and on freelancers. In order to distinguish total industry employment (as estimated by the Alliance) from the figures provided by the UI data, we use the term "staff employment" for the UI data.

16 Business income is only that income "arising from transactions and activities in the regular course of the corporation's trade or business."

17 This figure is not a simple average of the three individual apportionment factors. Rather, it is a judgmental average estimated by experts at the FTB.

18 The Alliance found total spending (wages and salaries plus goods and services) of $16.3 billion in 1992. About 45 percent of the total was payroll for California residents.

Chapter Four

A Case Study of Seven California Festivals: The Arts as an Economic Partner

By Petra Schumann, California Arts Council

Overview

California's fairs and festivals are vibrant cultural, artistic, and social assets. This case study of seven annual festivals finds their economic benefits are no less substantial. These seven festivals alone generated an average of $11.13 in direct economic benefits for every dollar of cost. Festivals also promote tourism, facilitate and fund community revitalization, and promote education and cross-cultural understanding. Festivals provide direct economic benefits to communities:

- Festivals attract new customers into the stores, restaurants, and hotels of hosting cities and towns. In small communities such as Half Moon Bay, many business owners depend on annual festivals to boost sales and help them cover their costs in slower months.
- Festivals promote business year-round. The San Francisco Bay Area Book Festival provided local book sellers and publishers the opportunity to promote their products, increase their mailing lists, meet customers, and sell books year-round.
- Festivals provide employment for thousands of California artists and artisans. Festivals also help create revenues that pay the salaries of state and municipal employees, business people, and staffs of nonprofit organizations.
- Festivals give local nonprofit organizations an opportunity to raise funds from out-of-town visitors. In Half Moon Bay, the Lions Club raised several thousand dollars by selling hamburgers and cheeseburgers made of local beef to Half Moon Bay Art and Pumpkin Festival attendees; the proceeds were donated to local charities.

Festivals Promote Tourism

Festivals encourage in-state travel and make California an attractive destination for out-of-state visitors. Examples are:

- At the seven festivals, more than 90 percent of the visitors surveyed stated that going to the festivals was either "very important" (69.4 percent) or "somewhat important" (21.5 percent) in their decision to be in the area that day. Seventy percent of visitors from outside of the festival counties said they would be "very likely" to return to those parts of California.
- 83.5 percent of Monterey Jazz Festival patrons traveled to Monterey from outside of Monterey County; 8.2 percent were from out-of-state.
- 70.9 percent of the attendees at the Artisans' Festival in Nevada City were from outside of Nevada County; 11.6 percent were from out-of-state.
- Festivals refresh the venues of small towns such as Mill Valley and Nevada City, making them more popular vacation and day-trip destinations for cultural tourists who return to the regions for further exploration.

Festivals Facilitate and Fund Community Revitalization

Festivals have a significant impact on communities with minimal local expenditure. The Half Moon Bay Art and Pumpkin Festival, a two day large-scale craft fair, had a direct economic impact of $10.5 million and was organized through the efforts of 1,000 volunteers on a budget of $70,000. Sales tax on the arts and crafts alone generated $79,815 in local and $212,841 in state sales tax revenue. The

festival paid the City of Half Moon Bay $11,400 for two days of police, street maintenance and administrative costs. Festival organizers used proceeds from the festival to fund local charities, to help renovate the town's City Hall ($50,000 donated over five years), and to make other civic improvements.

Festivals garner widespread volunteer support and foster civic pride. The San Francisco Bay Area Book Festival was run by two full-time staff members and a core of 400 volunteers; the Mill Valley Film Festival relied on the help of 250 volunteers. Many festival attendees stated that they took pride in supporting their local communities' festivals.

Festivals Promote Education and Cross-Cultural Understanding

Two of the festivals studied fund educational programs throughout the year. The Mill Valley Film Festival works with Marin County schools to match films with school curricula. In October 1993 the festival paid to bring 300 "at risk" high school students to the Sequoia Theater to see *Lives in Hazard*, a documentary about gangs.

The Monterey Jazz Education Fund, supported by the Monterey Jazz Festival, supplies public school children in Monterey County with instruments, sheet music, classes, and music camp.

El Día de los Muertos Festival, Mexican in origin, attracted an ethnically diverse audience to the William Reigh Los Angeles Photography Center for the festival. According to the survey, the audience was 49 percent White/Caucasian, 45 percent Latino, three percent African-American, and two percent Asian-American. Organizers and participants have encouraged people from all ethnic backgrounds to take part in the annual celebration over the years, and the festival has caught on.

Summary Information

More than 1,770 audience members were surveyed at the seven festivals, and more than 50 artists, crafters, vendors, business people, and festival organizers were interviewed during and after the events for their perspectives on the festivals' varied effects. Table 4.1 provides summary information on the seven festivals included in the festivals case study.

Table 4.1

Summary of Festivals Studied

Location	Dates	Duration of Festival	Type of Festival	Festival Budget	# Attendees	Direct Economic Impact
Monterey Jazz Festival						
Monterey Fairgrounds	Sept 17-19, 1993	3 Days	Music	$860,700 Annual Budget	39,000	$10,499,260
Mill Valley Film Festival						
Mill Valley (various venues)	Oct 7-17, 1993	11 Days	Film	$406,331 Annual Budget	30,000	$1,474,130
Half Moon Bay Art & Pumpkin Festival						
Main Street, Half Moon Bay	Oct 16-17, 1993	2 Days	Large-Scale Arts & Crafts	$70,025 Event Budget	200,000	$10,476,520
El Dia de los Muertos Festival						
William Reigh L.A. Photography Center, Los Angeles	Oct 30, 1993	1 Day	Ethnic	$10,500 Event Budget	3,000	$75,960
San Francisco Bay Area Book Festival						
Concourse Exhibition Center, San Francisco	Nov 6-7, 1993	2 Days	Book	$204,100 Annual Budget	52,500	$2,407,050
Artisans' Festival at Miners' Foundry						
Miners Foundry, Nevada City	Nov 26-28, 1993	3 Days	Small-Scale Rural Arts & Crafts	$4,387 Event Budget	5,557	$328,130
8th International Los Angeles Art Fair						
Los Angeles Convention Center	Dec 2-5, 1993	4 Days	Fine Arts	Approx. $1,000,000 Event Budget	24,300	Approx. $3,185,220

Purpose

Festivals are an important part of cultural life in California. Californians enjoy them, visitors support them, and thousands of volunteers help to organize approximately 4,500 fairs and festivals every year. The purpose of this case study was to:

- Assess the direct economic impact of seven of California's annual festivals.
- Understand the economic and social impact of festivals on local communities in California.

Methodology

The methodology employed in this study was as follows:

- Selection of festivals: The seven festivals studied were selected to represent a variety of festival types, sizes, and geographic locations. Due to the time constraints of this study, only festivals that took place in the fall of 1993 were included.
- Surveying of audiences: Audience and visitor information was collected via a six-page survey randomly distributed at each festival. A total of 1,774 completed surveys were collected at the seven festivals.
- Collection of festival budget information: After the festivals were over, festival organizers were asked to provide detailed information on their organizations' income and expenditures. They were also asked for estimates of festival attendance.
- Interviewing of organizers, artists and business people: Over 50 artists, crafters, vendors, local business people, and festival organizers were interviewed during and after the festivals for their perspectives on and explanations of the festivals' varied effects.
- Calculation of economic impacts: Data entry and tabulation of the visitor surveys were done by Facts Consolidated and California Survey Research Services, Inc., of Los Angeles. The direct economic impact of the festivals was computed using audience survey results, attendance data/estimates from the participating organizations, and festival budget information. See Appendix B for a more detailed explanation of the calculations.

Definitions and Caveats

In this report, the term "economic impact" refers to only the direct economic impact of the festivals analyzed. It does not include the festivals' indirect and induced economic impacts.

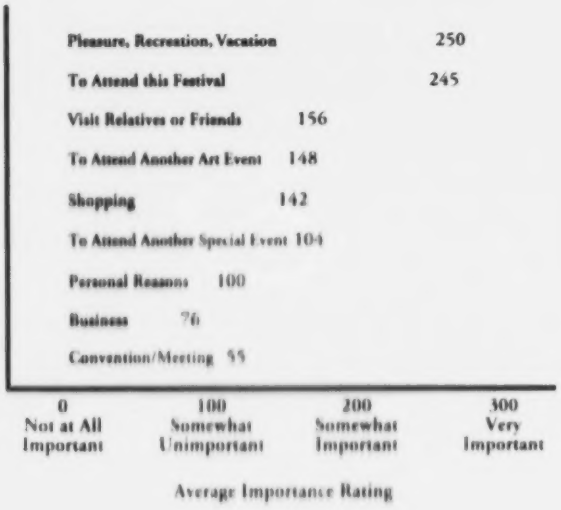
Causality of Economic Impact: A Caveat

Because (1) most of the spending generated by festivals in California is money spent by Californians and (2) the festivals do not influence the absolute amount of discretionary spending available in the state, this report does not argue that festivals create funds in California beyond the extent to which they bring in visitors or out-of-state funding. Nonetheless, festivals do promote spending and often direct funds into particular communities that might otherwise receive less of the public's discretionary funds. Thus, the communities that host festivals do receive the benefits of employment and spending in their local areas.

To assess the importance of festivals in bringing visitors (and thus consumer spending) to a local area, festival attendees were asked to rate the importance of various factors in their decisions to visit the area on a scale ranging from "Not at all important" to "Very important." More than 90 percent of the visitors[1] surveyed stated that going to the festival at which they were surveyed was either "very important" (69.4 percent) or "somewhat important" (21.5 percent) in their decisions to be in the area that day. (See Figure 4.1 for the ratings of other reasons given.)

Figure 4.1

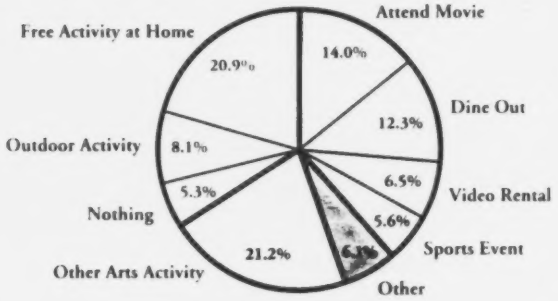
Why Festival Visitors Were in the Local Area



Survey respondents were also asked what, if anything, they would have done if they had not attended a festival on the days surveyed to determine where they would have otherwise spent money. Answers to this question are given in Figure 4.2: About one third of the festival attendees would not have spent any money (34.3 percent), 21.2 percent would have taken part in another art activity, and only 38.4 percent would have spent money in other sectors of the economy on the day surveyed.

Figure 4.2

Alternative Activities: What Festival Attendees Would Have Done if Not at the Festivals



Economic Impact of Festivals

The direct economic impact of the seven festivals examined in this report was calculated by summing (1) the portion of festival organizers' budgets spent in California and (2) festival attendees' spending in conjunction with the festivals.[2] Thus, the major determinants of the economic impact of the festivals were the festival budget, the number of attendees, and spending per attendee. Data on these components is given in Figures 4.3, 4.4, and 4.5. The direct economic impact of the festivals is shown in Figure 4.6.

Figure 4.3

1993 Budget Size

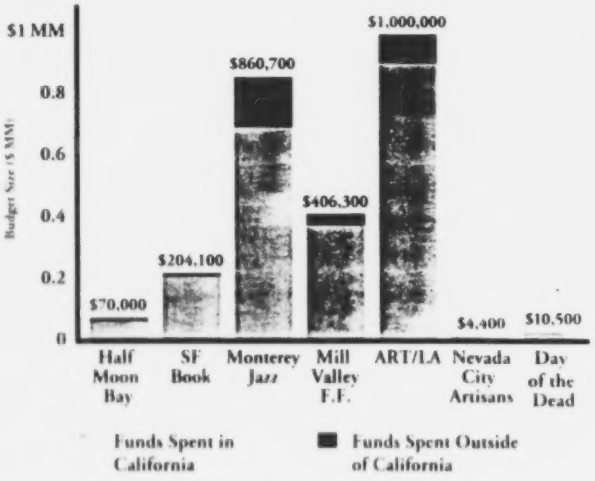
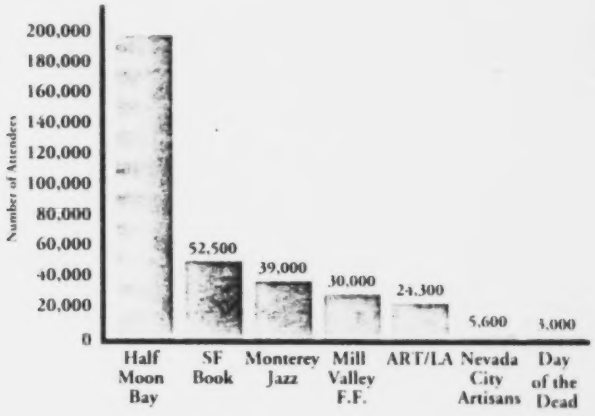


Figure 4.4

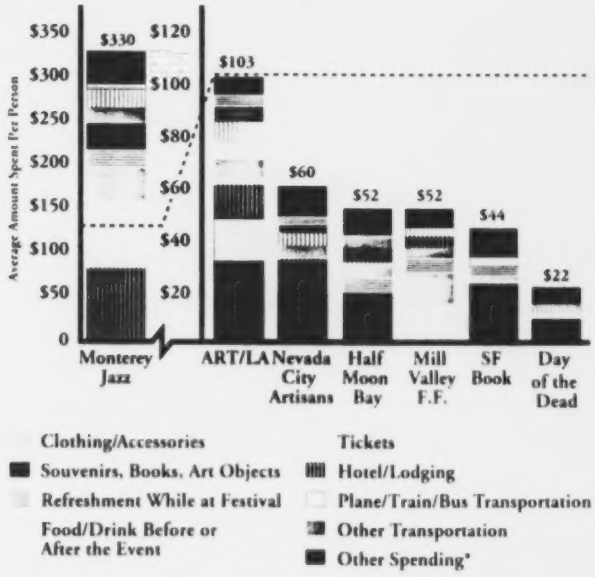
1993 Attendance



Note: Figure for ART/LA93 is approximated.

Figure 4.5

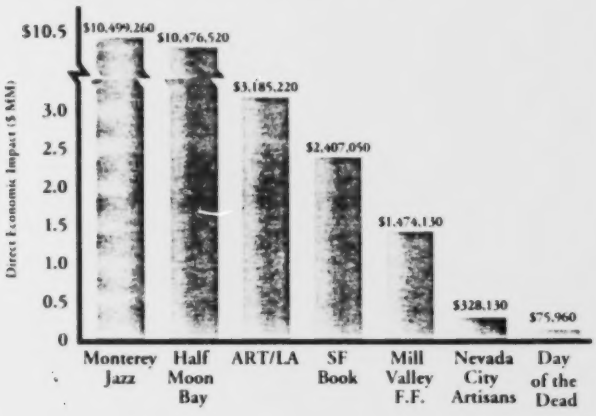
Festival Attendee Spending Per Person



*Includes components of items listed above too small to break out on graph.

Figure 4.6

Direct Economic Impact of Festivals



Note: Figure for ART/LA93 is approximated.

The economic impact varied among festivals; in some hosting communities the impact was immediate, and in others it was longer-term. A discussion of each festival and its unique economic impact follows.

The Seven Festivals

Monterey Jazz Festival

Dates: September 17-19, 1993

Location: Monterey Fairgrounds

Type of festival: Music

Duration: 3 days

Attendance: 39,000

Average spending per person: $330

Total festival budget: $860,700

Total direct economic impact: $10,499,260

The Monterey Jazz Festival is the oldest continuous jazz festival in the world, and it has developed a strong following of both artists and jazz enthusiasts in the 36 years since its founding. Dizzy Gillespie,

Duke Ellington, and Billie Holiday have all graced the festival's stages, and many audience members have returned to Monterey annually for more than 20 years.

This year's festival featured a mixture of well-known artists, up-and-coming musicians, and award-winning high school students in two days and three evenings of concerts on the 26-acre Monterey Fairgrounds. Set up around the concert stages were 46 booths with vendors selling a wide range of jazz-related items including Monterey Jazz Festival pins ($5) and sweatshirts ($30), wire sculptures of musicians ($65-150), books ($20-25), and musical instrument lamps ($400-800). The 20 food booths set up on the fairgrounds featured a broad selection of delicacies ranging from Louisiana sausages ($3.50), crawfish etouffee ($5), and jambalaya ($4) to rib dinners ($7) and Hawaiian shave ice ($2).

Season tickets for the weekend of events cost $111.75-$150, and most seats were sold to season ticket buyers. Individual ticket prices ranged from $22.50 to $32.50, and grounds passes cost $20.

Economic Impact

Survey results showed that on average, Monterey Jazz Festival attendees spent $330 in conjunction with the festival. The four largest components of this spending were:

- $84.20 on lodging,
- $77.40 on tickets,
- $36.40 on food and drinks before or after the festival events, and
- $25.00 on refreshments while at the festival.

(See Figure 4.5 for a graphical break-down of the $330.) The total direct economic impact of the festival in California was $10,499,260.

Illustration of Economic Impact

Local Hotels, Motels, and Campgrounds

The majority of tickets that the festival sold were "Season Tickets" for all concerts Friday evening through Sunday afternoon. Thus most people who came to the festival stayed for the whole weekend, not just for an evening, and this helped to generate business for local hotels, motels, and campgrounds. Survey results show:

- Seventy percent of festival patrons were from outside of Monterey and spent an average of 2.9 nights in the area.
- Ninety-six percent of visitors said that attending the Monterey Jazz Festival was either "very important" (79 percent) or "somewhat important" (17 percent) in their decisions to come to Monterey.
- Seventy-seven percent of visitors stayed in hotels, motels or bed & breakfasts; five percent stayed in rental homes or condos; two percent stayed at campgrounds, and 16 percent stayed with friends/relatives or had other accommodations.
- Visitors spent an average of $121 per person on lodging while in the area and thus generated $3.3 million in spending on accommodations.

Local hotel managers consider the festival to be an asset to Monterey. The general manager of the Hyatt Regency stated that he could depend on much of his Jazz Festival clientele to return every year and that the hotel usually sold out three or four weeks before the event. The general manager of the local Marriott Hotel commented that the festival "absolutely pushes demand for us. It's a major event ... It's really wonderful, and we're glad we have it."

Artists/Vendors

Many of the artists and vendors who had booths at the Monterey Fairgrounds agreed that the festival was a good place to sell their merchandise. According to a Berkeley photographer who sold prints of jazz musicians, books, and T-shirts at the festival:

> "It's a good set-up. You provide a captive audience with what they're interested in, and you can sell a lot."

Vendors also put significant amounts of money into the local economy. The majority of the 66 food and merchandise vendors came from outside of Monterey County (eight from out-of-state) and had to pay for meals and lodging for the weekend. In addition, each one had to pay a $650 or $1,200 booth fee (to the festival) and buy a $10 Monterey County business license (funds went to the city). Vendors charged sales tax on the merchandise they sold and thus generated revenues for both local ($10,818) and state ($51,927) government.

Some of the food and merchandise vendors also bought supplies locally and hired temporary employees to staff their booths. The graphic designer who was in charge of the official Monterey Jazz Festival merchandise, for example, said he "spent a lot locally to have things manufactured and printed because [he] needed to go in and proof them. That put money into the economy. There's a lot of money generated by this festival." He also hired 12 people for the weekend to help with sales. A portion of his proceeds went to the Jazz Education Fund.

The State of California

The Monterey Fairgrounds are owned by the State of California, and the Monterey Jazz Festival paid the 7th Agricultural District of California over $50,000 for grounds rental, utilities, labor, and other miscellaneous costs for the three-day festival. In addition, the festival paid the state $18,000 for year-round rental of office space at the Fairgrounds.

Local Community

The Monterey Jazz Festival has positively affected the image of Monterey since its founding in 1958 and has helped to make the community a more viable location for a variety of music festivals and special events. According to one local business owner:

> "It's a prestigious event and makes [Monterey] a more cosmopolitan town."

Visitor Profile

Surveys of 454 of the 39,000 people who attended the three-night, two-day festival showed the following characteristics:

- Seventeen percent of attendees were from Monterey County; 75 percent were from other parts of California, and eight percent were from out-of-state.
- Sixty percent were between the ages of 35 and 55; 20 percent were over the age of 55, and 20 percent were under 35.
- Seventy percent of attendees had college degrees; 39 percent had attended graduate school.
- The mean household income of attendees was found to be $76,100; the median was approximately $60,000.
- The ethnic backgrounds of attendees were found to be: 50 percent White/Caucasian, 33 percent African-American, 10 percent Latino, three percent Asian-American, two percent American Indian, and two percent "other."

When asked why they attended the Monterey Jazz Festival, 66 percent of survey respondents wrote that they were interested in jazz and/or specific artists performing at the festival. Many (26 percent) responded that coming to the festival is an annual tradition, and 10 percent commented that they enjoyed coming to Monterey. According to one such patron:

> "[We] have been coming for 20 years. [It is] a tradition that has continued because we always have such an all-round good experience."

A woman from the Monterey area wrote that she came "for the fantastic music and great atmosphere," and a patron from Los Angeles wrote that he came "to find my soul and bring my state of mind closer to enjoying the passing of time." (See Appendix 4B for comparative graphs of demographic information.)

Mill Valley Film Festival

Dates: October 7-17, 1993

Location: Mill Valley (various venues)

Type of festival: Film

Duration: 11 days

Attendance: 30,000

Average spending per person: $52

Total festival budget: $406,331

Total direct economic impact: $1,474,130

The Piano, Flight of the Innocent, Seven Songs for Malcolm X, Inventing Herself, and *Baraka* were among the diverse films, videos, and shorts that were featured at the 16th Annual Mill Valley Film Festival in October 1993. In its 11-day run and four-day Encore Program, the festival showcased more than 60 feature films from 24 countries, a three-day videofest, numerous seminars, and 15 special events in the small town of Mill Valley. Directors, producers, writers, actors, movie buffs, and curious movie-goers came to Mill Valley from all over the world to take part in the festival, an annual event that has become an important venue for independent filmmakers since its founding in 1978.

The festival is presented by the Film Institute of Northern California, a nonprofit organization, and is funded in part by a long list of corporate, business, media, foundation, and individual sponsors. Tickets to most festival films cost $5-$7, and tickets to seminars and special events cost $10-$75.

Economic Impact

Audience members at the Mill Valley Film Festival spent an average of $52 each during the course of the 11-day festival. The four largest components of this spending were:

- $15.10 on tickets,
- $11.80 on food and drink before and after the festival events,
- $5.90 on refreshments while at the events, and
- $4.30 on transportation.

The total direct economic impact of the 1993 Mill Valley Film Festival was $1,474,130 in California. (See Figure 4.5 for a graphical break-down of the $52.)

Illustrations of Economic Impact

Local Businesses

Some local business owners/managers interviewed after the 1993 festival commented that it had very little impact on their businesses while others stated that the festival had a very positive long-term impact. According to the manager of a store on the same block as the Sequoia Theater:

> "During the days of the festival [we're] not too busy, but we do get new customers — people who see things in our window while in line and then come back to shop another time."

The owner of a local jewelry store commented that the festival brought in new customers:

> "One film director from New York came in during the festival a few years ago, went back to New York, and then called me to purchase a $4,000 ring he'd seen [in my store]."

Other local business people commented that the festival enhanced the reputation of the town and therefore increased commerce in the long term. One such business manager commented that, "the Mill Valley Film Festival is one of the top 10 in the world, and that puts Mill Valley on the map."

Nonprofit Organizations

The Mill Valley Film Festival raised funds for several nonprofit organizations by donating a percentage of revenues from specific films. Groups ranging from the Hispanic Chamber of Commerce to the Mill Valley Schools Foundation benefited

from such arrangements; others received free film tickets.

The Film Industry

Over the years, the Mill Valley Film Festival has served as a venue for numerous independent film makers whose films have gone on to generate millions of dollars in revenue for the film industry. According to the festival's director, Mark Fishkin:

> "The Mill Valley Film Festival has become a place that people look to for new talent. L.A. people like to come up here. It's something the studios look at . . . [and] it's an important spot on the festival route for international people. It reflects positively on the state."

Stand and Deliver (1987) and *River's Edge* (1986) were both "discovered" at the Mill Valley Film Festival and went on to become box office hits nationwide. This year, the Academy Award winning Australian film, *The Piano* (1993), had its U.S. co-premiere at the Mill Valley Film Festival.

Visitor Profile

Approximately 30,000 people took part in the 1993 Mill Valley Film Festival. (See Appendix 4B for comparative graphs of demographic information.) According to a sample of 256 festival patrons surveyed, characteristics of these movie-goers were as follows:

- Thirty-three percent were from Mill Valley, 37 percent were from other parts of Marin County, 29 percent were from other parts of California, and two percent came from out-of-state.
- People of all ages attended the festival: Four percent were under 18; 26 percent were 18 to 34; 23 percent were 35 to 44; 29 percent were 45-54, and 19 percent were over 55.
- 75.6 percent of survey respondents had college and/or advanced degrees.
- The mean household income of survey respondents was found to be $69,500. The median was approximately $50,000.
- The ethnic backgrounds of festival visitors were found to be: 91 percent White/Caucasian, four percent Latino, two percent African-American, two percent Asian-American, and one percent "other."

The majority of visitors (77 percent) who gave reasons for attending the film festival said that they loved movies and/or specific artists and themes featured at the festival. Some said they appreciated the opportunity to see films not shown in commercial theaters, and many (16 percent) wrote that they attended the festival every year. Typical audience comments included:

> "I think this is a wonderful film festival offering a great variety of films in content, origin and style."

> "I think this is a wonderful opportunity to see films that wouldn't have a very wide audience in America."

> "We enjoy movies and the local area. Love it! We come every year."

The Half Moon Bay Art and Pumpkin Festival

Dates: October 16-17, 1993

Location: Main Street, Half Moon Bay

Type of festival: Large-scale arts and crafts

Duration: 2 days

Attendance: 200,000

Average spending per person: $52

Total festival budget: $70,025

Total direct economic impact: $10,476,520

"If you tell someone you're from Half Moon Bay," said one resident of the small coastal town, "they say, 'Oh, yes, the Pumpkin Festival!'"

According to many local residents, the Half Moon Bay Art and Pumpkin Festival "has put Half Moon Bay on the map" in the 22 years since it was founded. The impetus for the festival came from a group of local residents, the Main Street Beautification Committee, who wanted to revitalize their town's dying Main Street. The small group started the festival to raise funds for planting greenery, painting buildings, and making other much-needed physical improvements on Main Street, and since then both the scale and popularity of the festival have grown tremendously.

Today, 200,000-300,000 visitors from all over California flock to the small seaside community every October to enjoy the crisp autumn air, the Halloween spirit, seasonal foods, live music, and a wide variety of arts and crafts. California artists and crafts people consider this to be one of the best California festivals in terms of both sales and atmosphere, and there is stiff competition for the limited number of booths on Main Street. Due to space constraints, only 230 out of over 800 artists and crafts people who applied this past year were selected to participate, and most of these artists and crafts people were from California. The array of arts and crafts sold at the festival ranged from hand-crafted stuffed animals ($7-55) and decorative ceramic mugs ($6-12) to large framed photographs of California wildlife ($35-200).

Artists paid booth fees of $300 to the festival organizers. The festival was free to the public.

Economic Impact

The enthusiastic spending of the large crowds that packed Half Moon Bay's Main Street generated a great deal of economic activity in the community. Survey results showed that on average, visitors to the festival spent $52 while in Half Moon Bay. The four largest components of this spending were:

- $19.20 on art objects or souvenirs,
- $6.60 on refreshments while at the festival,
- $6.20 on food or drink before or after the festival, and
- $6.02 on lodging.*

The total direct economic impact of the 1993 Half Moon Bay Art and Pumpkin Festival was $10,476,000 in California. (See Figure 4.5 for graphical breakdown of the $52.)

Illustration of Economic Impact

The spending inspired by the Half Moon Bay Art and Pumpkin Festival impacted various components of the local area in very significant ways. For example:

Artists/Crafters

The Half Moon Bay Art and Pumpkin Festival is well-known among artists and crafters as an excellent festival at which to exhibit and sell merchandise. According to a vendor of hand-crafted leather hats (that sold for more than $79 each), people "come to this festival with a good attitude…They don't mind parting with their money at this show." His sales at this year's festival allowed him to pay his two assistants significant commissions and buy materials for his next show.

Local Businesses

Many local businesses depend on the festival's large influx of visitors for sales unequaled at other times of the year. According to the manager of the Half Moon Bay Bakery, "It's the best weekend of the year. Without that festival a lot of businesses on Main Street would close…We usually sell 30-40 pumpkin pies per week in the fall. During the festival we sold 2,000 in a weekend!" The bakery also sold 1,500 pumpkin tarts at $2 each (pies cost $8 each), took on 10 extra employees, and opened extra sales space to handle the overwhelming demand.

In spite of the impressive sales at many local establishments, some local business people complain that the crowds and traffic of the festival keep away their regular customers. Most recognize, however, that the economic effect of the festival cannot be measured in two days alone. The Art and Pumpkin Festival introduces many newcomers to the town who later return for day-trips from near-by cities such as San Francisco on less crowded weekends, and this repeat visitation promotes long-term sales growth.

Local Community/Municipality

The Main Street Beautification Committee that runs the festival funnels all of its proceeds into civic improvement and local charities. Over the years, the Committee has done everything from painting buildings on Main Street to purchasing the "jaws of life" for the local fire department. According to one founder of the festival:

> "Our original goal was to buy plants for the downtown area; now [we] even pay someone for the upkeep of the plants and trees ... and it costs the taxpayers nothing."

In recent years, the Main Street Beautification Committee has also taken pride in donating $10,000 per year (a five-year, $50,000 pledge) toward remodeling the Half Moon Bay City Hall.

State and Local Government

The festival also generates funds for the city, county and state more directly. The sales tax on arts and craft items purchased at the festival alone generated $212,841 for the state and $79,815 for the county and city. In addition, the festival organizers paid the City of Half Moon Bay $11,400 in personnel costs (police, street maintenance, etc.) and administrative fees for the two-day festival. The festival itself was organized on a budget of only $70,000 and through the work of 1,000 volunteers.

Local Charities/Nonprofit Organizations

All of the 35 food and drink stands at the festival were run by local nonprofits or charities, and most of them raised significant amounts of money through the festival. A local high school basketball team, for example, sold pancake breakfasts on Saturday and Sunday mornings and netted $4,000 in those two days. Those funds were used to send 40 students to pre-season tournaments.

The local Lions' Club also earned a large portion of its annual budget through the Art and Pumpkin Festival. The Lions' Club bought local beef, made and sold hamburgers and cheeseburgers at the festival, and then donated the proceeds to local charities. According to one member of the Lions' Club:

> "By buying local beef, we get double bang for our buck ... If the festival didn't exist, there would be a lot less money for us to pass out."

Visitor Profile

A heavy rain shower on Saturday afternoon made this year's festival attendance a little lower than during other years, but it is conservatively estimated that more than 200,000 attended the two-day festival in 1993 in spite of the weather. (See Appendix 4B for comparative graphs of demographic information.) According to a survey of 201 participants, key characteristics of these visitors were as follows:

- Thirty-nine percent of festival attendees came from San Mateo County, 56 percent came from other California counties, and five percent came from outside of California.
- Seventy percent of festival attendees were under age 45, and 15 percent were under age 18 — the largest component of children among the seven festival audiences analyzed.
- Fifty-eight percent of survey respondents had college and/or advanced degrees. The mean household income of attendees was

approximately $64,000, and the median household income was found to be $51,600.

- The ethnic backgrounds of the festival attendees were found to be: 82 percent White/Caucasian, nine percent Latino, six percent Asian/Pacific Islander, two percent American Indian, and one percent "other."

Visitors attended the Half Moon Bay Art and Pumpkin Festival for a variety of reasons. When asked through an open-ended survey question why they had come to this festival, 31 percent mentioned that they enjoyed the festival as an outing or get-away, and 23 percent said that they come every year. Many mentioned that they considered the festival a good family event. One woman from San Jose who attended with a friend and spent $54 in Half Moon Bay said she attended because "it's always fun to get pumpkins and eat and drink and see all the crafts." One of the local residents who attended with his family of four (and spent $96) wrote, "I live here.and have not missed one in 18 years."

El Día de los Muertos Festival

Dates: October 30, 1993

Location: William Reigh Los Angeles Photography Center

Type of festival: Ethnic

Duration: 1 day

Attendance: 3,000

Average spending per person: $22

Total festival budget: $10,500

Total direct economic impact: $75,960

El Día de los Muertos, or the Day of the Dead, is a tradition that has been celebrated in Mexico for generations, and over the years it has gained popularity in the United States as well. The purpose of the festival is to honor people who have died, to come to terms with one's own mortality, and to celebrate life. Numerous Day of the Dead celebrations took place all around Los Angeles, and many stores and restaurants featured product and foods based on the theme.

This year's celebration at the William Reigh Los Angeles Photography Center featured an exhibition of art by local artists centered around the theme of the Day of the Dead and an afternoon and evening of entertainment. The art displayed in the gallery ranged in medium from watercolor to bronze and in price from $75 to $30,000. Performers included Pacha Mama, Las Tres, and Chicano Secret Service. In the courtyard behind the Photography Center, several vendors sold food and arts/craft items ranging from Veracruz style chicken ($4) and lemonade ($1) to All Souls incense ($1.50) and handmade masks ($25-40).

The festival, like the Photography Center, was funded by the City of Los Angeles Cultural Affairs Department. Admission was free.

Economic Impact

Survey results showed that on average, people who attended El Día de los Muertos Festival at the Los Angeles Photography Center spent an average of $22 in conjunction with the celebration. The four largest components of this spending were:

- $9.20 on souvenirs, books, and art objects,
- $2.90 on food and drinks before and after the event,
- $2.30 on refreshments at the event, and
- $1.90 on clothing.

The total direct economic impact of El Día de los Muertos Festival at the L.A. Photography Center was approximately $75,960. (See Figure 4.5 for a graphical break-down of the $22.)

Illustration of Economic Impact

Local Artists

All of the art displayed in El Día de los Muertos exhibition was produced by local artists, and several pieces were sold. Eighty percent of the proceeds of those sales went directly to the artists — a much higher percentage than what most commercial galleries pass on to the artists they represent.

The festival also increased visibility for Chicano art and gave many Chicano artists an opportunity to expand their audience or customer bases. According to the curator of the El Día de los Muertos Exhibition:

> "Chicano artists have embraced El Día De Los Muertos ... for various reasons — the interpretation of the theme being the least important. The most important is the freedom and ability this event has given [Chicano artists] to be able to identify [themselves with] their Mexican culture without being limited to being purely Mexican or purely American."

El Día de los Muertos exhibition of work by local artists stayed on the walls of the Photography Center for several weeks after the event, and the curator of the exhibition sold several pieces in early November.

Visitor Profile

Approximately 3,000 people visited the William Reigh Los Angeles Photography Center on October 30 for the festival. (See Appendix 4B for comparative graphs of demographic information.) According to a sample of 162 attendees surveyed, characteristics of this group were as follows:

- Ninety-three percent were from Los Angeles County, six percent were from other parts of California, and one percent came from out-of-state.
- People of all ages attended the festival: 12 percent were under 18; 40 percent were between 18 and 34; 27 percent were between 35 and 44; 12 percent were between 45 and 54, and nine percent were over 55.
- Sixty-seven percent of survey respondents had college degrees, and 35 percent had attended graduate school.
- The mean household income of survey respondents was found to be $47,800. The median was approximately $36,400.
- The ethnic backgrounds of El Día de los Muertos Festival attendees were found to be: 49 percent White/Caucasian, 45 percent Latino, three percent African-American, one percent American Indian, and two percent "other."

The majority of people who attended the festival at the Los Angeles Photography Center (71 percent) wrote that they were interested in Chicano culture and/or El Día de los Muertos celebration, and many (12 percent) wrote that attending the festival is an annual tradition. Others stated that it was an excellent event for families or that they were interested in learning more about Chicano traditions. One participant wrote that he came "to be culturally enriched [and] to join with like-minded people." Another wrote that she came to "celebrate [her] ethnic and cultural origin." A local resident wrote:

> "It's a tradition — I've been coming for years, and it's very entertaining and informative. I love Day of the Dead."

San Francisco Bay Area Book Festival

Dates: November 6-7, 1993

Location: Concourse Exhibition Center, San Francisco

Type of festival: Book

Duration: 2 days

Attendance: 52,500

Average spending per person: $44

Total festival budget: $204,100

Total direct economic impact: $2,407,050

The mission of the San Francisco Bay Area Book Council, the nonprofit organization that organizes the San Francisco Bay Area Book Festival, is "to draw together the area's rich literary and publishing resources to celebrate books and promote literacy through cultural and educational programs for our diverse Northern California communities." The annual festival is organized to achieve this mission.

The San Francisco Bay Area Book Festival attracted 15,000 visitors in its first year (1990) and quickly grew to fill San Francisco's Concourse Exhibition Center with more than 52,500 authors, publishers, booksellers and other book enthusiasts in 1993. The two-day event was free and open to the public, and the crowds of people who attended spent hours browsing in large bookstores or publisher booths, attending author readings and book signings, exploring the selections of small publishers, and taking part in other "celebrations" of the literary arts.

The Book Festival also helped unite the Bay Area's literary community by making a wide variety of literary events and resources available to the public. The festival itself featured over 300 exhibitors ranging from the San Francisco Public Library and the National Poetry Association to the Multicultural Publishers Exchange, Random House, Inc., and Green Apple Books. The festival also organized and/or promoted over 100 author readings, panel discussions and symposia during the weekend and promoted over 60 related events and exhibitions in the Bay Area during the week of the festival. This large amount of activity helped raise the general public's awareness of San Francisco's strong literary community. The event was free and open to the public.

Economic Impact

Survey results showed that on average, Book Festival attendees spent $44 in conjunction with the festival. The four largest components of this spending were:

- $22 on books/souvenirs/art objects,
- $4 on food or drinks before or after the festival,
- $3.70 on refreshments while at the festival, and
- $3.20 on parking/transportation.

The total direct economic impact of the festival in California was $2,407,050. (See Figure 4.5 for a graphical break-down of the $44.)

Illustration of Economic Impact

Local Bookstores

Local booksellers benefited from the Book Festival in a variety of ways. Most of those who had booths sold books at special prices, promoted new books, handed out flyers on upcoming events, and/or asked visitors to their booths to sign up on their mailing lists. Several vendors stated that they felt it was important to participate in the festival for recognition in the local literary community. According to one such participant, "It would be a mistake not to be there if you're someone with a bookstore in San Francisco." Another bookstore manager said that people came to his store after the festival to buy books that he had run out of at his booth.

Many smaller, specialized bookstores also considered the Book Festival a good way to expand their clientele. In the words of the manager of a small

Marin County bookstore that specializes in novels and literary books, "We feel [participating in the festival] is worthwhile because [it allows us to] bring our style of bookstore to a wide audience that may not have heard of us otherwise."

Authors and Publishers

Many of the authors and publishers who participated in the festival mentioned that it gave them a unique opportunity to meet the people who read their books. One author/publisher who participated in the festival stated that "[authors are] glad to have this fair open to the public. Usually we don't have that opportunity to meet people who read [our] books. The encouragement helps [us] take more risks."

Many small publishers who cannot afford advertising or large-scale distribution used the opportunity to hand out catalogs of their books. Manic D Press, a small publisher of emerging writers, for example, handed out 500 of their catalogs. According to the company's publisher/editor, the Book Festival "is good for establishing a presence in the Bay Area book community and for visibility." She hopes this recognition will turn into sales in the long term.

Visitor Profile

Surveys of 279 of the 52,500 people who attended the two-day festival showed the following visitor characteristics:

- The Book Festival attracted a large local audience: 39 percent of attendees were from San Francisco, 58 percent were from other California counties, and three percent were from out-of-state.
- The majority of attendees were between the ages of 35 and 55 (53 percent); nine percent were children.
- On the whole, the attendees at the Book Festival represented a highly educated group of people: 83 percent of those surveyed were college graduates, and 54 percent had attended graduate school.
- The mean household income of visitors surveyed was found to be $59,000; the median was found to be $48,300.
- The ethnic backgrounds of visitors were found to be: 87 percent White/Caucasian, nine percent Asian-American, two percent Latino, one percent African-American, and one percent American Indian. (See Appendix 4B for comparative graphs of demographic information.)

When asked why they had attended the Book Festival, most survey respondents (78 percent) wrote that they had a special interest in books, publishing, or specific authors who participated in the event. Some survey respondents wrote that they hoped to make business contacts or find publishers for their own books, and others said they came simply because they loved books. For example, a woman from Oakland wrote,"I work in book publishing, I read, I support books and publishing, and this is one of my favorite events." Another woman simply wrote, "[I] love books and everything about them."

Artisans' Festival at Miners' Foundry

Dates: November 26-28, 1993

Location: Miners' Foundry, Nevada City

Type of festival: Small-scale arts and crafts

Duration: 3 days

Attendance: 5,557

Average spending per person: $60

Total festival budget: $4,387

Total direct economic impact: $328,130

The Artisans' Festival at Miners' Foundry is a high quality crafts fair that takes place in the small town of Nevada City every Thanksgiving weekend. The festival is held in Miners' Foundry, a restored foundry from the Gold Rush era that has been

converted into a cultural center. The event raises money for the Foundry's operating fund.

The 32 arts and crafts vendors who were selected to participate in the festival sold items ranging from hand-crafted bears ($38-$200) and ceramic tableware ($22-$35) to hand-woven wool jackets ($300). The Foundry was decorated with festive holiday decor and candles, and visitors were entertained by various musical groups and visits by St. Nicholas. There was a $1 entrance fee for adults, and children were admitted free.

Economic Impact

Survey results showed that on average, Artisans' Festival attendees spent $60 in conjunction with the festival. The four largest components of this spending were:

- $19 on art objects and souvenirs,
- $14 on lodging,
- $6.20 on food and drinks before and after the event, and
- $3.60 on clothing.

The total direct economic impact of the festival was found to be $328,130 in California. (See Figure 4.5 for a graphical break-down of the $60.)

Illustration of Economic Impact

Local Community

The Artisans' Festival is one of three craft fairs that take place in Nevada City on Thanksgiving weekend, and thus it is difficult to completely separate the festival's impact from that of the other activities in the area. Nonetheless, the Artisans' Festival is clearly part of the town's ongoing effort to develop its "artsy" Western reputation and to draw in tourists.

The arts are a major component of Nevada County's Master Plan and have played a major role in the town's redevelopment since the 1960s. Due in part to an influx of artists and the county's focus on the arts, real estate prices have increased significantly, tourism has flourished, and once-empty store fronts now host thriving businesses. According to the executive manager of the Nevada City Chamber of Commerce, "Nevada City has focused on tourism, [but] you need special events to draw people in ... The arts bring people in." Before the town developed its image, there were many vacant commercial buildings in town; today there are approximately 120 successful merchants.

Local Artists

Many of the artists who sold their work at Miners' Foundry were from Nevada County and near-by rural areas and were pleased to have the access to tourists provided by the event. A ceramic artist from Grass Valley noted that 95 percent of his sales were to people from outside of the area. Each artist paid $110 in booth fees and thus helped the Miners' Foundry Cultural Center cover the costs of the festival.

Local Businesses

Local business owners benefited from the customer traffic and increased tourism generated by the three local festivals over Thanksgiving weekend, the busiest shopping weekend of the year. According to the owner of one local gift shop, business owners saved money on advertising because, "being in Nevada City takes care of that. Festival organizers do a lot of advertising for the festivals, so we don't have to do more. We're getting so well known as a place to shop and do the tourist thing." Her store's sales quadrupled that weekend.

Local and State Government

Both the local and state governments received tax revenue from hotels, restaurants, stores, and craft booths at which festival attendees spent their money. Participants' spending on art objects and souvenirs alone generated $5,907 in sales tax for the state and $1,231 for the local government.

The festival itself was organized on a total budget of only $4,387.

Visitor Profile

Approximately 5,600 people attended the Artisans' Festival in Nevada City on Thanksgiving weekend. (See Appendix 4B for comparative graphs of demographic information.) According to a sample of 194 attendees surveyed, characteristics of this group were as follows:

- Twenty-nine percent were from Nevada County, 59 percent were from other parts of California, and 12 percent came from out-of-state.
- People of all ages attended the festival: 13 percent were under 18; 14 percent were between 18 and 34; 29 percent were between 35 and 44; 24 percent were between 45 and 54, and 19 percent were over 55.
- Sixty-four percent of survey respondents had college degrees, and 38 percent had attended graduate school.
- The mean household income of survey respondents was found to be $61,900. The median was approximately $50,800.
- The ethnic backgrounds of Artisans' Festival attendees were found to be: 94 percent White/Caucasian, two percent Latino, two percent American Indian, one percent African-American, and one percent "other."

When asked why they had decided to attend the Artisans' Festival, 47 percent that they had a special interest in arts and crafts, 19 percent said they had come to shop, 18 percent said they were in Nevada City for Thanksgiving weekend or on vacation, and 13 percent wrote that they liked the area. Many local residents said they liked to support community festivals, and many out-of-town visitors said they had been brought to Miners' Foundry by friends or family members who lived in the local area. Typical comments included:

"I like originality and the atmosphere and the attitude of the people."

"[This is an] annual excursion to a cousin's home, and [I] love to shop at crafts fairs."

"[These are] quality crafts people; I like to support small and artistic businesses and [the] local arts community."

Eighth International Los Angeles Art Fair (ART/LA93)

Dates: December 2-5, 1993

Location: Los Angeles Convention Center

Type of festival: Fine arts

Duration: 4 days

Attendance: 24,300

Average spending per person: $103

Total festival budget: Approximately $1 million

Total direct economic impact: Approximately $3,185,220

The Eighth International Los Angeles Art Fair — or ART/LA93 — was a large, four-day convention-style event featuring galleries, arts publications, and a variety of visual-arts-related organizations from 14 countries in Los Angeles' new downtown convention center. Over 24,000 arts professionals and members of the general public attended the event to browse, learn, buy, and make business connections.

ART/LA93 was organized and run by Andry Montgomery California Inc., a part of the Andry Montgomery Group, a privately owned British company that organizes over 100 national and international trade and cultural events throughout the world. The purpose of ART/LA93 was not only to provide an international arts forum for Los Angeles, but also to help educate the public in the practice of appreciating and collecting art.

This year's fair featured programs for younger audiences such as The Young Collectors Series (lectures such as "How to Collect Emerging Artists of Significance") and Artist Survival Skills (lectures on grant-writing, self-promotion and planning). The diverse participants ranged from a designer eyeglass shop to well-established high-end galleries. Visitors could view and/or buy items ranging from postcards (.50¢) and exhibition catalogs ($12) to paintings by Jerald Silva ($7,500) or Richard Diebenkorn ($30,000). Daily admission cost $7 (students, seniors, museum members, advance purchase) or $10 (general admission).

ART/LA93 was the first public event to take place in the new Los Angeles Convention Center.

Economic Impact

Survey results showed that on average, people who attended ART/LA93 spent $103 in conjunction with the fair. The four largest components of this spending were:

- $31 on art objects, souvenirs and books,
- $16.80 on plane, train, or bus transportation,
- $14.20 on lodging, and
- $9 on food and drinks before or after the festival events.

The total direct economic impact of Art LA was approximately $3,185,220 in California. (See Figure 4.5 for a graphical break-down of the $103.)

Illustration of Economic Impact

Art Galleries

Many collectors consider ART/LA93 to be a good place at which to learn about new trends in the art market, to investigate galleries, and sometimes to buy art. Art galleries, in turn, use the fair as an opportunity to expand their client lists, meet artists, and gain recognition. According to the manager of a Tustin, California-based gallery that sold five or six pieces of art at the fair:

> "We participated because we wanted to reach beyond Orange County... [ART/LA93] has given us new clients and new respect. Being chosen to participate validates our art."

A gallery manager from Sacramento commented that the benefits of participating in the fair were more in making long-term business connections than in making immediate sales: "We do it to network with people we don't see in Sacramento," he said. He also commented that collectors he has met at fairs have come to artists' shows later on and that participating in fairs such as ART/LA93 is an important part of client development.

Artists

Many artists attended the art fair to make gallery contacts, promote their work, and/or to "see other artists' work and gain ideas/stimuli." One local artist commented that he was "interested in other artists' works and what's happening in the art world." Others came not only for inspiration, but to meet potential customers at gallery booths representing their work or to look for new galleries to help market their artwork.

Visitor Profile

Approximately 24,300 people attended the eighth International Los Angeles Art Fair. (See Appendix 4B for comparative graphs of demographic information.) According to a sample of 228 attendees surveyed, characteristics of this group were as follows:

- Seventy-one percent were from Los Angeles County, 25 percent were from other parts of California, and four percent came from out-of-state.
- People of all ages attended the festival: 10 percent were under 18; 35 percent were between 18 and 34; 20 percent were between 35 and 44; 20 percent were between 45 and 54, and 15 percent were over 55.

- The mean household income of survey respondents was found to be $69,900. The median was approximately $48,900.
- The ethnic backgrounds of Art LA attendees were found to be: 76 percent White/Caucasian, 13 percent Asian-American, six percent Latino, three percent African-American, one percent American Indian, and one percent "other."

When asked why they had decided to attend ART/LA93, the majority of survey respondents (76 percent) wrote that they were interested in art. Many wrote that they wanted to learn about what was new in the contemporary art world or that they enjoyed the opportunity to view art from a large variety of artists and galleries all in one convenient place. Typical comments included:

"[I am] interested in exploring new art ideas and seeing new artists' work."

"I'm an artist and I've never been to the LA Art Fair. I was curious."

"[It is an] excellent way to see lots of good art in one place."

Summary

The festivals examined in this study represent a broad range of types, venues, and purposes, and each one has had a unique economic and social impact on the community that hosted it. The results of this study, though not directly transferable to other festivals, do suggest that festivals are a good economic investment. The outcome of this research suggests significant implications for arts administrators, policy-makers, festival organizers, and community leaders across California.

Festivals Promote Tourism

By "refreshing the venues" of communities that host them, festivals supply an impetus for in-state travel, bringing visitors and funds into communities all over the state. Although festivals cannot directly affect the amount of disposable income that Californians are able to spend, they do impact where those funds are spent. According to the California Division of Tourism, intrastate tourism accounts for 80 percent of California's tourism. Festivals help to keep Californians in-state, offering attractive opportunities to spend "vacation and weekend dollars" in California, not in other parts of the country or the world.

Festivals Support Businesses

By bringing large numbers of people and new customers into stores, restaurants, and hotels of hosting cities and towns, festivals support a broad range of businesses throughout California. Through festivals, many businesses benefit from new customers and increased revenues in both the short-term and the long-term. Many companies all over the state recognize the importance of festivals and have chosen to support them in their local communities.

Festivals Employ Californians

Although most festivals are run on tight budgets and minimal numbers of paid employees, they do provide the means for employment for thousands of self-employed artists and artisans throughout the state. They also help create revenues that pay the salaries of state and municipal employees, business people, and staffs of nonprofit organizations.

Festivals Foster Education and Cross-Cultural Understanding

Multicultural festivals help people of all ethnic backgrounds celebrate their own traditions while sharing them with others. Many festival organizers support year-round outreach programs that help to educate Californians of all ages in the arts and encourage them to explore the diverse traditions

of fellow Californians. Festivals promote understanding and inclusion.

Festivals Facilitate Community Revitalization

Proceeds from festivals are often used to fund community facilities and a wide variety of civic improvements. By improving civic reputations, festivals also help to encourage and support economic development efforts. In addition, festivals garner tremendous amounts of volunteer support and provide residents of the towns and cities that host them with a reason to take pride in their communities.

Through these varied impacts, festivals act as economic partners to both business and government in California. Some receive donated funds for specific programs or portions of their operating budgets. These funds serve as valuable seed money for not only the festivals themselves, but also for economic activity in many sectors of the economy. The positive economic impact that festivals have on the communities that host them is considerably greater than the contributed funds they take in. The seven festivals included in this study generated an average of $11.13 in direct economic benefits per dollar of cost.

Appendix 4A: Formula for Economic Impact Calculation

Figure 4A.1

Formula for Calculation of Direct Economic Impact: Festivals

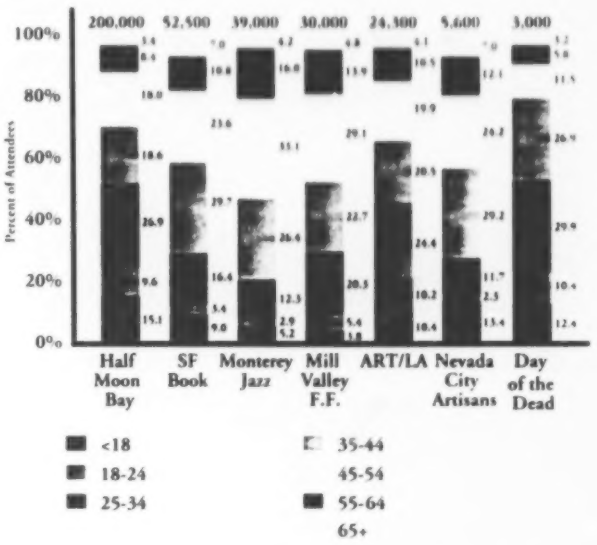
Average Audience Spending Per Person	×	Total Festival Attendance	+	Total Festival Budget	−	Portion of Budget Spent Outside California	−	Festival Income from Booth Fees & Concession Sales	−	Audience Spending on Tickets*
Audience		Festival		Festival Organizers				Festival Organizers		Audience Survey

*Subtracted out to avoid double-counting of spending.

Appendix 4B: Comparative Demographic Information

Figure 4B.1

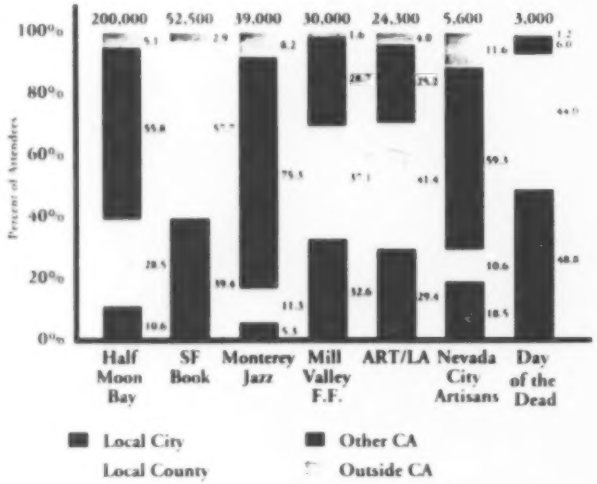
Age Distribution of Festival Attendees



Note: Percentages are based on everyone in attending parties. California Arts Council, 1993.

Figure 4B.2

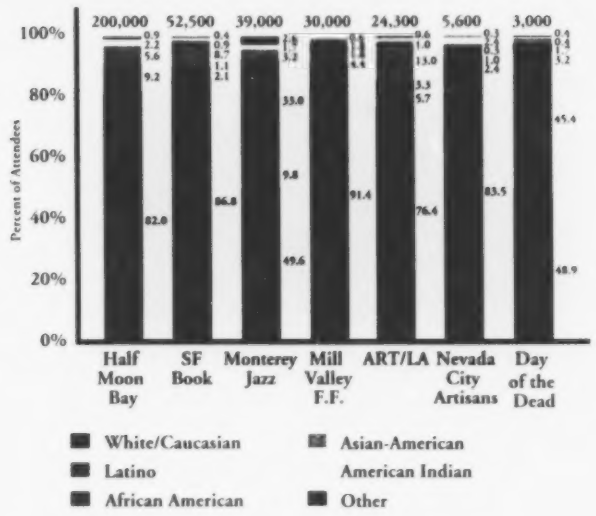
Where Festival Attendees Came From



Note: Percentages are based on everyone in attending parties. California Arts Council, 1993.

Figure 4B.3

Ethnic Background of Festival Attendees



Note: Percentages are based on everyone in attending parties. California Arts Council, 1993.

Notes

1 "Visitors" are defined here as festival attendees who were away from home at least one night.

2 Adjustments were then made to avoid double-counting of attendee spending. See Appendix B for the formula used.

3 Weighted average of local residents and visitors. See "Illustrations of impact" for more statistics.

4 Weighted average...Out-of-town visitors who spent between one and three nights in the area spent an average of $36.70 per person.

5 Weighted average...Out-of-town visitors who spent between one and three nights in the area spent an average of $42 per person on lodging.

6 This figure probably includes the cost of hand-made items bought at the festival.

7 Final budget figures for the fair were not available; therefore this figure and the direct economic impact figure (which includes the budget approximation supplied by the fair organizers) are both approximate.

8 Weighted average...Visitors who spent money on transportation spent an average of $97 on car rental and/or $638 on plane, train and bus tickets.

9 Weighted average...Out-of-town visitors who spent between one and three nights in the area spent an average of $120 per person on lodging.

Chapter Five

Art and Auto Design in California

By Robert Andrews, UCLA and Ron Hill, Art Center College of Design

In no other industry is the interaction between the nonprofit arts sector and the commercial sector in California more dynamic than in the design of automobiles. Over the last two decades, 17 automotive design studios were established in industrial parks scattered throughout the four southern-most coastal counties of California.

Recently, Isuzu closed its Southern California design studio after a corporate decision to no longer export passenger vehicles to the United States. As shown in Table 5.1, 13 of the remaining 16 design studios are wholly owned by U.S., Asian and European automobile companies; one is majority-owned by a European automotive company, and two are independents. Collectively, these California studios represent the world's largest geographical concentration of automotive styling designers.

- The total direct impact of the 16 automotive design studios is more than $47 million, adding almost 400 full-time jobs.
- The indirect impacts add immeasurably to other industries, ranging from customized auto parts manufacturing to the makers of blockbuster movies.

To find out why the world's automotive companies and independent design firms have established studios in Southern California, what they do, and their direct economic impacts, a survey questionnaire was sent to the heads of the 16 organizations. Nine of the 16 returned completed questionnaires and three returned questionnaires omitting, for proprietary reasons, certain items.

Table 5.1

California Automotive Design Studios

Design Studio	Location City/County	Year Established	Ownership
Calty Design Research	Newport Beach/Orange	1973	Toyota
Chrysler Pacifica	Carlsbad/San Diego	1983	Chrysler
Concept Center California	Valencia/Los Angeles	1983	Independent Under Contract to Ford
Designworks/ USA	Newbury Park/Ventura	1972	60% Ownership by BMW
General Motors	Newbury Park/Ventura	1983	General Motors
Honda R&D of North America	Torrance/Los Angeles	1975	Honda
Hyundai Motor America	Fountain Valley/Orange	1990	Hyundai
International Automotive Design–West Coast	Huntington Beach/Orange	1987	Branch of an Independent British Design Company
Kia Motors Corporation	Irvine/Orange	1993	Kia
Mazda R&D of North America	Irvine/Orange	1988	Mazda
Mercedes-Benz Advanced Design of North America	Irvine/Orange	1990	Mercedes-Benz
MMC Design Studio	Cypress/Orange	1984	Mitsubishi
Nissan Design International	San Diego/San Diego	1979	Nissan
Subaru Research and Design	Garden Grove/Orange	1988	Subaru
Volkswagen of America Design Center (Volkswagen/Audi)	Simi Valley/Ventura	1990	Volkswagen
Volvo Monitoring and Concept Center	Camarillo/Ventura	1986	Volvo

Why California?

One of this report's co-investigators, on a trip to Japan, arranged to meet with Tsutomu Oda, manager of the Administrative Department, Design Division, at Toyota Motor Corporation headquarters.

The purpose of the meeting was to explore why Toyota had established the first design studio of any of the world's car makers such a great distance from its headquarters.

From this meeting and materials supplied by Toyota, the following scenario emerges. In 1965, Toyota only exported a small proportion of it's products. By 1970, however, exports had risen to one-third of sales and were rapidly increasing. Toyota management recognized that to sustain these overseas sales, automobiles would have to be tailored to the needs of the customers in these very different markets. It was concluded that ideally "R&D" facilities should be located in the world's major automobile markets. At that time, Toyota's largest growing overseas market was the United States. A decision was made to establish an American "think tank of automotive advanced design" that would "create design trends." This explains Toyota's decision to build a design studio in the United States.

Southern California was selected as the U.S. site for three principal reasons. First, California was the largest U.S. market.

Second, Toyota perceived that American cultural leadership was shifting from the East Coast to the West Coast.

And third, Toyota placed a high value in a close proximity to the Art Center College of Design in Pasadena. Japanese students had been sent to this California school since 1957 to learn U.S. design techniques. A relationship between Toyota and the school evolved, which eventually led to the school providing some guidance to Toyota when it established Calty Design Research in California. (As the second step in the globalization of its research and development and design activities, Toyota established Toyota Epoc in Belgium last year.)

Simply put, proximity to a major, nonprofit arts school played a critical role in the decision of one of the world's largest automobile manufacturers in choosing to locate its design studio in California.

Ranking Reasons to Come to California

Each of the 12 design studios that responded to the survey completed the section on why it was located in Southern California. We ranked the reasons to locate in California, according to the order of their importance.

1. Southern California is synonymous with shifting tastes, eclectic lifestyles and setting trends.
2. California, with about 13 percent of the U.S. population, is an important car market representing 25 percent of the new car sales and one-third of the total stock of cars in the United States.
3. Automotive innovation: Californians were the first to extensively build hot rods and low riders, to convert vans (often with decorative art work) from commercial to personal vehicles, and to buy light trucks as entry-level personal rather than as utility vehicles.
4. Southern California's history as a center of creative energy and ideas, which dates from the 1920s, is reflected in the concentration of motion picture studios, aerospace companies and fashion photography.

Six other reasons, which were not on the original list of suggested reasons, were ranked as the most important reasons for locating in Southern California by the design studio that added them.

These were:

1. The need to locate closer to the user market, as opposed to manufacturing.
2. California has a high share of imported brands making it the market to watch.
3. The progressive high-tech orientation of the state and the sense that it remains at the "cutting edge" in aerospace, computers, biomedicine.

4. The prevailing (at least at the time) openness to foreign investment and the perception that California wanted to play a key role in the Pacific Rim economy.
5. Southern California's diverse climates, versatile recreations, traffic problems, smog and varied lifestyles, make it ideal for studying the use and function of the automobile.
6. To support the automotive design studios of original equipment manufacturers in this area.

Clearly, a number of considerations led to the establishment of Southern California's unique colony of automotive design studios. Underlying these are a fact, a perception, a business axiom and a belief.

The fact is that California is an important automotive market. With only 0.55 percent of the world's population of 5.5 billion people, the state has 3.7 percent of the world's estimated total stock of more than 450 million automobiles.

The perception is that Californians are a wellspring of America's changing tastes, and, in particular, are the "trend-setters" for the U.S. car market. Gerald Hirshberg, vice president of design at Nissan's San Diego design studio, said:

> "California has always had an image of being open to alternative lifestyles... Southern Californians aren't necessarily patriotic purchasers; we buy what appeals to us."[1]

C. Mark Jordan, assistant chief designer at Mazda's Irvine design studio and lead designer for the company's Miata sports car, said:

> "If you can excite the people of California, the rest of the county will take care of itself."[2]

The business axiom is that products have to be tailored to the needs of different marketplaces. The belief is that, to understand the numerous and diverse factors that influence the uses, functions and appeal of a complex product such as the automobile in a given market, the designers need to live in that marketplace. Charles Ellwood, who arrived in Southern California in 1993 to become director of design at Volkswagen's Simi Valley design studio, said:

> "The American driver's fascination with cup holders suddenly made sense. You can't drive the speeds we drive in Europe and use cup holders. It's just too dangerous. But here you're living in the vehicle, you're drinking in the vehicle, the kids are moving back and forth. You're doing a lot of things other than driving."[3]

How Design Studios Work

Automobiles are not strictly rational commodities. They have strong emotional appeal, which largely is the result of the artful aspects of the styling process. In broad terms, the styling component of automobile design is concerned with the designs of the exterior, the interior, and their colors. Its goal is to create a "package" that integrates the vehicle and its driver, its passenger(s) and its cargo, in a way that will be attractive to the intended consumer.

To the extent that is appropriate, the styling process utilizes state-of-the-art components and materials. It combines aesthetics and ergonomics[4] and makes extensive use of computer assisted design (CAD) software. When the project is for a new production car, it typically starts with a given chassis and engine layout and requires the prediction of the kind of styling that will be attractive to the intended consumer in the near future. In the 1980s, Ford and Chrysler correctly predicted that U.S. consumers would respond positively to their moving from the then-prevailing boxy exterior styling to softer, rounded styling (Taurus/Sable sedans) and to cab-forward (LH sedans) styling respectively.

When the project is for a concept vehicle for auto shows or advanced vehicle research, it involves the technological forecasting of future components and materials, as well as the kinds of vehicles and their

styling that will be attractive in the future. Minivans and sport utility vehicles are examples of two kinds of vehicles that have become popular in the last decade. Exterior design cycles begin with concept sketches and proceed through scale models, aerodynamic testing, and design of parts to a full scale model. Interior design cycles also begin with concept sketches, but proceed through dimensional analysis and planning, and design of parts to a full scale model.

Design studios may be given project assignments that vary from the very limited, such as a coffee-cup holder, all the way to "blue-sky" projects, such as a conceptual design for a four door sedan that could be powered by any of a number of nonpolluting power sources.

Ten of the responding design studios estimated the proportions of their designer resources that were directed to different kinds of activities during the latest fiscal year (which for all but one responding design studio was January, or April, 1993, to December, or March, 1994). The reported proportions devoted to new production vehicles ranged from zero to 98 percent, with the average being 43 percent. The proportion devoted to conceptual vehicles ranged from zero to 100 percent, with the average being 51 percent. Five of the design studios reported spending from two to 35 percent of their designer resources on other kinds of activities. These included the face-lift freshening of current production models, non-automotive products, and administrative duties.

Seven of the responding design studios reported a total of 49 publicly disclosable production and concept vehicle projects. The studios had the principal design responsibility for 55 percent of these projects. Of the remaining 45 percent of the projects, the design studios reported that two-thirds of the time their design responsibility was "moderate," and one-third of the time it was only of "some influence."

The current missions of the various design studios vary substantially. Viewing them statistically, however, the representative design studio, in its latest fiscal year, spent a little less than half of its designer resources on the styling of new production vehicles, a little less than half on conceptual vehicles, and a small percentage on other activities. For the majority of its projects, it has had the principal design responsibility.

Economic Impact of "The Sixteen" on California

The primary purpose of this case study was to estimate the aggregate direct impacts of the design studios on California's economy. Four of the 16 design studios that were invited to participate in the study, did not do so. Eleven of the responding 12 design studios provided the requested employment level data. Nine of these also provided all of the requested financial data and one provided all of the requested wages, salaries, payroll taxes and benefits data. The methodologies used to extrapolate from these data to the economic impacts of the total population of 16 design studios are described in Appendix 5A.

Employment

The total employment level in the 16 design studios for the last fiscal year is estimated to have been:

Categories of Employee	Number of Employees
Full-Time Designers	122
Full-Time Others	288
Total Full-Time	410
Part-Time Designers	*
Part-Time Others	46
Total Part-Time	53

The wages, salaries, payroll taxes and benefits paid by the design studios in the last fiscal year is estimated to have totaled $24,422,000. Of this figure, an estimated $23,814,000 was spent in California and the remaining $608,000 out-of-state.

Expenditures on Goods and Services

Differences between the accounting procedures of the nine design studios that provided complete financial information precluded meaningful analyses of purchased services, purchased goods and operating expenditures, exclusive of payroll items, as separate categories. In the last fiscal year the estimated total expenditures for the purchase of services and goods and for operations, exclusive of payroll items, totaled $28,151,000. Of this figure, an estimated $23,625,000 was spent in California and $1,526,000 out-of-state.

Summary

This case study was limited to the 16 automotive design studios. (Not included were freelance designers and consulting firms that do not primarily serve major automotive companies). The total direct economic impact in California of these 16 entities is estimated to have been 410 full-time and 53 part-time jobs and expenditures of $47,435,000 in the latest fiscal year.

The economic impacts of artful activities in California that involve automobiles, however, are not limited to the 16 design studios. The "products" of these design studios, namely the exterior and interior styling of production and concept automotive vehicles, can be considered as inputs into other "artful" activities.

For example, the designs for concept vehicles, which are intended for automobile shows, have to be transformed into one-of-a-kind vehicles. This is done by custom manufacturers, several of which are California-based. These firms are artisans of metal, fiberglass and plastics.

Moving beyond those firms that serve the major automotive companies, there are California-based freelance designers and fabricators of specialized vehicles for customers that range from the entertainment industry to private individuals.

Most of us remember the one-of-a-kind vehicles that were central to television series, such as *Batman* and *Knight Rider*, and films such as *The Road Warrior, Blade Runner* and the cult classic, *The Adventures of Buckaroo Bonzai*. California also has numerous "tuners," who customize stock vehicles for individuals by styling and fabricating new exteriors and interiors.

The symbiosis between the auto design industry and the entertainment industry is but one example of a "creative multiplier," how the arts in California continually enhance and reinforce one another. This is the kind of cross investment of creative capital that makes California so unique and dynamic.

Appendix 5A: Addendum on Methodology

Communication with the Design Studios

The head of each of the 16 design studios initially was sent a survey questionnaire and a transmittal letter. The letter explained the nature of the case study, described its role within the California Art Council's larger economic impact study of the arts, and solicited participation. At this first stage, the heads of two design studios responded that they did not wish to participate in the survey. A second letter was sent to those among the remaining 14 design studios that had not responded to the initial mailing. In addition to encouraging participation, this letter offered some practical suggestions for estimating the requested financial data that were gleaned from the initially returned questionnaires. The heads of design studios who did not respond to the second mailing were contacted by telephone.

Estimation of Employment Levels

Eleven of the 12 design studios that responded to the survey reported their employment levels for the most recent fiscal year. The employment levels of the non-responding design studios were estimated from general information and knowledge of the industry. These estimates were fine-tuned by

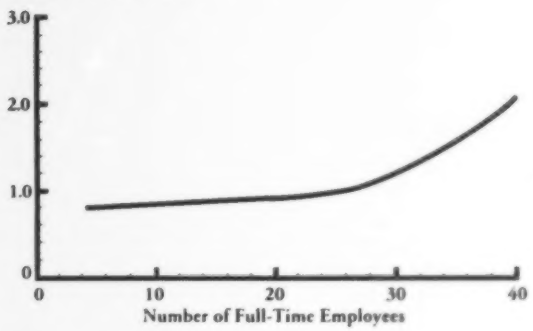
comparing them to the employment levels and ratios of designers to other employees, as reported by the responding design studios.

Estimation of Wages, Salaries, Payroll Taxes and Benefits

Not surprisingly, the best variable for predicting the total of a design studio's wages, salaries, payroll taxes and benefits was found to be its total employment level. From the data supplied by the responding design studios, the curvilinear relationship shown below was established to make such a prediction for each of the studios that did not respond. The proportions of personnel expenditures, which were spent out-of-state, was estimated from the data supplied by the responding design studios.

Figure 5.1

Full-Time Employees' Payroll Expense
(in millions of dollars)



Estimation of Expenditures for Purchased Services, Purchased Goods, and Operations (Exclusive of Payroll Items)

When one extreme outlying data point was excluded, a linear relationship was found between the total employment level and the aggregated expenditures for purchased services (PS), purchased goods (PG) and operations (OPER) of the responding design studios during the latest fiscal year:

(PS + PG + OPER) Expenditures =
$1,097,000 + 5,780 (Total Employment Level)

This equation and estimated employment levels were used to estimate the total expenditures, which were made by design studios that did not provide financial data, for purchased services, purchased goods and operations during the latest fiscal year. Again, the proportions of such expenditures, which were spent out-of-state, were estimated from the data supplied by the responding design studios.

Notes

1 Dietz, Lawrence, "Designing," *Avenues*, May/June 1994, pp. 27 and 30.

2 Anderson, Kurt, "California Dreamin'," Business Section, *Time*, September 23, 1991, pp. 38, 39 and 42.

3 Miller, Greg, "Designs on the Future," Valley Business Section, *Los Angeles Times*, July 12, 1994, pp. 10, 11 and 14.

4 The scientific and methodological base for designing physical systems. The controls and instrumentation of such systems must be matched to the anatomical characteristics and the strength, movement, sensory, reflexive and information-processing capabilities of the human beings that operate and use them. So ergonomics is a discipline that draws on physiology, anatomy, applied psychology and physical anthropology.

Chapter Six

Musical Instruments: A Manufacturing Industry in California

By Dr. Richard Boykin, Transfer Pricing and Economic Analysis Group, KPMG Peat Marwick LLP

From giants like the Yamaha Corporation of America, located in Buena Park, to the small, family-owned Deering Banjo Company in Lemon Grove, from traditional luthiers turning out handmade instruments in the old-time way such as Linc Luthier (Upland, California), to surfers on the modern music wave such as Metalhead Electronics (North Hollywood), California has it all. Musical instrument manufacturing is one of the many fascinating and far-reaching activities that is inextricably linked to California's arts world. Artists buy musical instruments, of course, and the vast array of accompanying electronic and other gear that goes along to amplify or enhance their effects; but it is also true that there is artistry in the creation of many musical instruments.

The California Arts Council's study of the economic impact of the arts in California would not be complete without taking note of and attempting to explore the arts world's complex interdependencies. Musical instrument manufacturing constitutes a fine example. Figure 6.1 attempts the imposing task of illustrating the linkages between some of the relevant activities.

Art (as defined in Chapter 1) generally exists as a nonprofit activity in the services sector. The entertainment industry, which draws on the talents developed in the arts world and supports that world in various ways, is, of course, in the business of earning profits for the performance of services. Connections between the entertainment services industry and the electronics manufacturing industry are long-standing; and as both industries progress, new links are formed almost daily. The musical instrument manufacturing industry rests in a nexus formed by the worlds of arts, entertainment, and electronics. Of course, to really complete the picture would exceed the powers of a diagram, since musical instrument manufacturing creates demand, both directly and indirectly, for countless items outside the electronics industry.

From the state's point of view, the dynamics of job growth and the continuing creation of wealth for California residents requires that these types of linkages and relationships flourish. As we gain understanding of complex systems, we learn that activities at first appearing to be only of minor consequence actually matter greatly. In this spirit, the California Arts Council has determined not only to advance a snapshot estimate of the arts world's multiplied value in California's economy, but also to begin grappling with the measurement and understanding of other pieces of the economic ecosystem. Thus, in this section of the report, we profile the production of musical instruments in California.

Some Findings

- California's musical instrument manufacturing firms spent more than $500 million on goods, services, and employee wages in 1992.

If the industry is defined as musical instrument manufacturers plus associated vendors (electrical and electronic equipment, instrument cases, specialized software), wage and salary expenditures in 1992 within California are estimated at about $75 million.

- The industry tends to be concentrated in Southern California, and in the Los Angeles area in particular. In 1992, Los Angeles and Orange counties accounted for 45 and 14 percent of musical instrument manufacturers, respectively.

However, the industry is represented by small numbers of enterprises located in numerous

California towns. Certain types of handmade instruments in particular tend to be made by craftsmen in rural counties.

- Musical instrument firms average about 20 employees per site, and the average annual wage is $24,000. The industry has been growing steadily since the mid-1980s, with especially strong growth in 1992.

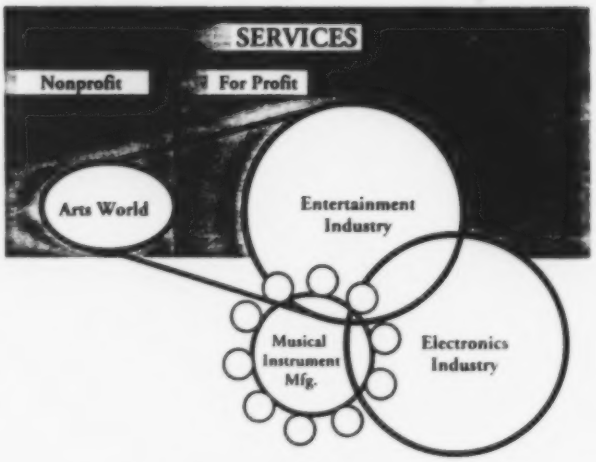
Using the broad definition of a musical instrument firm, there are about 170 manufacturers in California. If the definition is limited only to manufacturers of musical instruments (standard industrial classification code 3931), the establishment count in 1992 was 86.

Focusing on one particular musical instrument product line, anecdotal information indicates that California is an especially attractive location for guitar builders. The state has more than 30 establishments, ranging from one-person operations to small businesses practicing the craft of building acoustic guitars.

A 1990s boom in acoustic guitar popularity has also spawned a host of supporting enterprises, such as magazines, equipment cases, and manufacturers of guitar pick-ups, a sizable number of which are California businesses. Santa Cruz Guitars is typical. It was established about 20 years ago to build guitars by hand. Santa Cruz employees make between 400 and 600 guitars annually with an average retail value of $3,000 apiece. The business has 11 full-time and two part-time employees.

Figure 6.1

Linkages: Arts, Entertainment, and Musical Instrument Manufacturing



The Data

For the task of depicting Musical Instrument Manufacturing Industry (MIMI) economic presence in California, this report draws upon data collected by KPMG from the State Franchise Tax Board (FTB) and from quarterly unemployment insurance (UI) reports filed by California businesses with the California Employment Development Department, Labor Market Information Division.[1] Where possible, KPMG collected data for more than one year in order to provide comparisons.

The first step was identification of the population of musical instrument-firm tax returns from among the complete set of tax returns maintained on data tapes by the FTB. Unfortunately, the list of industry designations offered to California filers does not include industry 3931, Musical Instruments Manufacturing.[2]

To overcome this problem, KPMG turned to the National Association of Music Merchants (NAMM, located in Anaheim). KPMG obtained NAMM's 1993 Membership Directory,[4] and from that complete listing we collected the names and cities for all California firms. That list was compiled from NAMM's commercial membership roster (there is a separate retail membership listing) and, where possible, cross-checked with NAMM's 1994 International Music Market Directory (from the 1994 industry trade show) in an attempt to eliminate non-manufacturing firms from the set.

The final list was passed on to the FTB, and researchers there endeavored to construct a subset of their Master Tax File for musical instrument firms on that basis. From that list, the FTB estimated aggregated values for tax return items selected by KPMG. The FTB did not attempt to construct a sample; researchers simply attempted to collect information for as many of the firms on the list as possible. Therefore, we must be careful in drawing any inferences from the FTB musical instrument data to the entire California population of such firms.

Collecting UI data was much simpler. These data are compiled using the Standard Industrial Classification System (SIC), and data are available under the 3931 industry code. Employers file the UI forms quarterly, and the establishment and employment data available from that population of employers includes (quarterly, and for all reporting industries):

- The number of establishments;
- Total employment[5] in all establishments within an industry; and,
- The total payroll.[6]

An important distinction between the FTB and the UI data relates to the basic business unit. For the FTB, the unit is a corporation, while for the UI program, an establishment is any business location having a quarterly payroll. Thus, a corporation (one FTB business unit) could have any number of establishments.[7] Furthermore, a business that is not a corporation would still be included among unemployment insurance filers. The definition of an establishment used by the California Employment Development Department is the one developed by the Office of Management and Budget for the standard industrial classification system:

> "An establishment is an economic unit, generally at a single physical location, where business is conducted... an establishment is not necessarily identical with the enterprise (company) which may consist of one or more establishments."[8]

Another key distinction between the FTB and UI data used in this report relates to the underlying population. FTB data were drawn from a broadly defined sample of firms developed by KPMG; these firms include instrument manufacturers classified within SIC 3931, manufacturers of associated products from the electronics industry, manufacturers of musical instrument cases and strings, and suppliers of specialized software. Firms reporting UI data that are classified within SIC 3931 are more likely to be standard musical instrument manufacturers.

Size and Distribution

We can begin with the UI data. Figure 6.2 charts the growth in California's musical instrument establishments from 1987 to 1992. During that period the industry has increased from 67 to 86 firms (28 percent), and growth has been uninterrupted.

Figure 6.2

California Musical Instrument Manufacturing: Number of Establishments

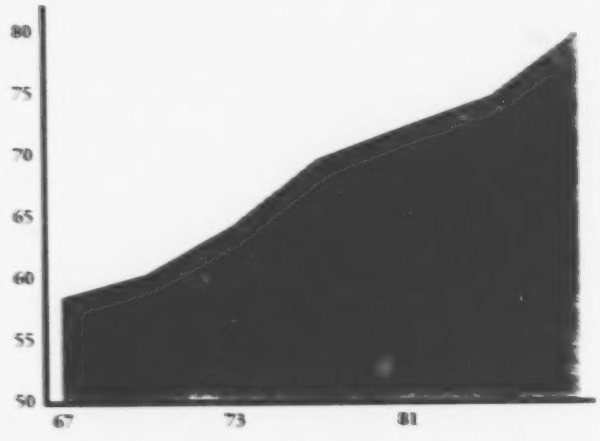


Table 6.1 provides the number, by county and by region for musical instrument firms as determined from FTB data. There are more firms in total, which is almost surely due to the broader definition of the industry underlying KPMG's selection of enterprises for the FTB. In order to avoid disclosing taxpayer information, the FTB aggregated certain counties into areas if only a few firms reside in the county. The data indicate that these firms are concentrated in the major urban areas, and growth rates since 1987 have been fairly uniform throughout those areas.

Table 6.1

Distribution of Musical Instrument Corporations from FTB Data

County or Area	1987	1992	% Change	% of 1992 Total
Los Angeles	61	76	25%	45.0%
Orange	18	23	28%	13.5%
Bay area*	32	40	25%	23.5%
Other Southern California**	NA	14	NA	8.0%
Other***	17	17	0%	10.0%
Total	128	170	33%	100%

Note: * Alameda, Contra Costa, Marin, San Francisco, Solano, and Sonoma counties.
** San Bernardino, San Diego, and Ventura counties.
*** Santa Cruz and a group of Northern or Mountain counties.

Table 6.2 provides another view of the musical instrument distribution throughout the state using the UI data. Note that the UI figures appear to indicate less Bay Area growth than does the FTB data. Any differences that are implied by UI data for growth in the Bay Area's firms are likely the result of differing definitions; FTB figures would include the types of firms that one would expect to find in the Bay Area but not within SIC 3931 (which limits the UI data); i.e., electronics firms supplying the music industry.

Table 6.2

Distribution of Musical Instrument Firms from UI Data

SIC 3931	1987	1988	1989	1990	1991	1992	Avg.	Avg. %
Alameda	4	4	3	4	4	5	4	5.4%
Los Angeles	26	29	28	23	26	25	26	34.4%
Orange	7	7	7	8	8	10	8	10.4%
San Diego	8	9	10	10	11	12	10	13.3%
San Francisco	3	NA	NA	3	4	4	2	3.0%
Other	20	24	25	25	28	29	25	33.4%
Total	67	72	73	73	81	86	75	100.0%

To summarize, as defined by SIC 3931, in 1992 California's musical instrument manufacturing industry was comprised of 86 firms, about half of which are located in the greater Los Angeles area. If we let the industry define itself (through membership in the NAMM), we find at least 170 California firms, concentrated in the greater Los Angeles and San Francisco Bay areas. Figure 6.3 displays KPMG's estimate of the distribution within California.

Figure 6.3

Distribution of MIMI Firms within California

Note: See Appendix Table 6A1 for a county map of California wherein county names are listed.

California Employment

The musical instrument manufacturing industry in California is not unusually significant in terms of employment, but the industry is expanding. According to UI data, jobs in the industry grew from 1,355 in 1987 to 1,938 in 1992, an increase of 43 percent. Monthly figures for 1992 show a peak of over 2,000 jobs during the year. Figures 6.4 and 6.5 illustrate.

Figure 6.4

California Musical Instrument Manufacturing Employment

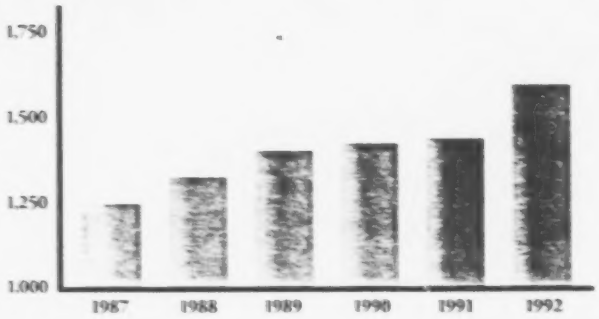
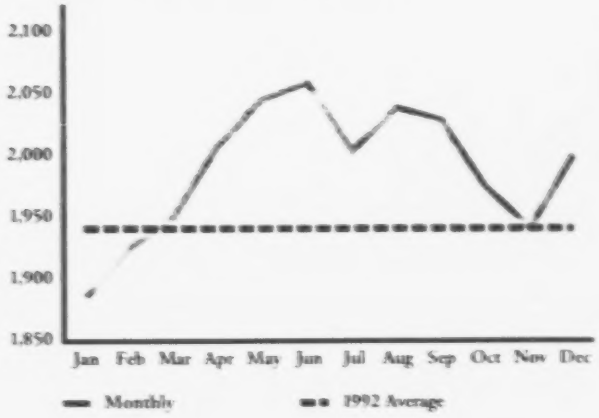


Figure 6. 5

1992 Monthly MIMI Employment



A slightly longer-term look at the employment and establishment figures for the industry in California indicate a brief period (1984 and 1985) of decline followed by steady increases in establishments and employment. Although the industry resumed expansion in 1986, employment patterns were slow to be affected. Musical instrument employment did not regain 1984 levels until sometime in 1991. Figure 6.6 charts the progress of industry growth using indexes for establishment and employment counts that are based (set equal to 1.000) in

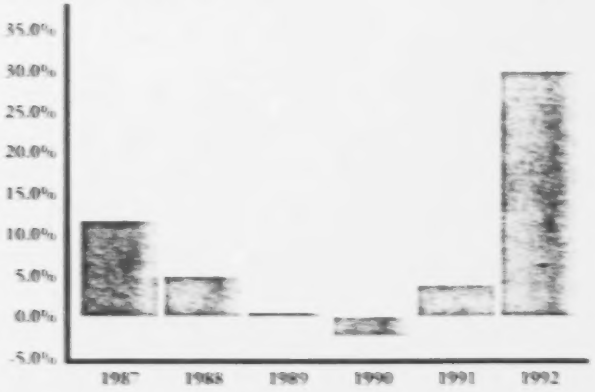
1984. Figure 6.7 shifts the focus to rates of change; employment growth was strong in 1987 and 1988, but 1992 was a banner year.

Figure 6.6

Musical Instrument Manufacturing in California: Indexes of Establishments and Employment

Figure 6.7

Annual Percentage Changes in California MIMI Employment



California establishments employ an average of 20 to an establishment. This figure is somewhat larger than might have been expected (recall that the average size of a California motion picture and television industry firm is about 15), but is likely to be reflective of the relative intensity of labor required in the production of many types of instruments. Table 6.3 provides the figures.

Table 6.3

California — Employment per Establishment: 1987 to 1992

	1987	1988	1989	1990	1991	1992	Average
Employment	1,355	1,433	1,440	1,413	1,481	1,938	1,510
Establishments	67	72	73	73	81	86	75
Average Employment	20	20	20	19	18	23	20

Economic Activity

Corporations filing California state income tax returns must report total corporate income, sales, deductions (costs), and assets and then apportion their business income[7] to California based on the state's shares of their total property, payroll, and sales.

For property, the relevant proportion is that amount owned or used in California; in the case of payroll, California compensation is divided by total corporate compensation; and for sales, gross receipts attributable to California are divided by total gross receipts. (Appendix Table 6A.2 provides an example of how California apportionment is calculated.)

The average apportionment percentage for the Musical Instrument corporations used in this survey was about 78 percent. This figure represents an approximate floor for attribution to California of total sales or costs reported by filers to the FTB. In general, since most of the reporting firms are California corporations, one would expect that wherever their sales might have taken place, the better part of their assets and expenses would be located in or incurred in California.

Table 6.4 provides summed figures for the Musical Instrument from Form 100's Schedule F, which approximates portions of an income statement. Gross receipts less cost of sales leaves gross profits, after which other forms of income are categorized. Table 6.5 provides deductions. Both tables refer to 1992.

Table 6.4

Musical Instrument Corporations in California: 1992 Tax Return Sales, Cost of Sales, and Other Income

Gross Receipts	$669,732,238
Cost of Goods Sold	468,243,176
Gross Profit	201,489,072
Dividends	150,419
Interest on U.S. Obligations	88,574
Other Interest	1,989,314
Gross Rents	992,080
Gross Royalties	22,030
Capital Gain Net Income	104,959
Ordinary Gain (loss)	$ (151,326)
Other Income	7,039,410
Total Income	$211,745,191

Table 6.5

Musical Instrument Corporations in California: 1992 Deductions

Compensation of Officers	$20,555,676
Salaries and Wages	53,994,690
Repairs	1,182,258
Bad Debt	2,851,047
Rents	9,467,218
Taxes	8,379,649
Interest	8,242,642
Contributions	31,658
Depreciation	7,371,158
Depreciation Claimed Elsewhere	1,192,454
Total Depreciation	6,178,694
Depletion	0
Advertising	13,235,952
Pension, Profit-Sharing Plans	904,624
Employee Benefit Plans	3,592,020
Other Deductions	76,246,605
Deduction for 23201r/23701r	2,974,967
Other Expenses	16,734,004
Total Deductions Plus Expenses	$219,242,975

From our perspective, the most useful information relates to spending. To derive total spending, we simply add the cost of goods figures from Table 5 to total deductions from Table 6 and subtract depreciation. The total is about $679 million. On the basis of the FTB musical instrument firm count (170 firms), average 1992 spending per firm came to approximately $4 million. Of the total $679 million, given the 78 percent apportionment factor, the minimum one would expect to have taken place in California is about $530 million ($679 x .78); there is no way to estimate the upper end of the range.

By extracting certain expenditure items from the deductions schedule and combining those costs with appropriate components of cost of goods sold, we can separate wage, salary, and benefits spending from the total. Table 6.6 provides the breakdown of cost of goods from Form 100, Schedule V.

Table 6.6

California Musical Instrument Corporations: Composition of Cost of Goods

Inventory at Beginning of Year	$116,091,033
Purchases	419,598,368
Cost of Labor	23,918,643
Additional IRC Section 263A Costs	5,614,877
Other Costs	35,382,115
Total	591,910,389
Inventory at End of Year	129,289,971
Cost of Goods Sold	$463,474,070

From Tables 6.5 and 6.6 we can combine all wage and salary costs as follows:

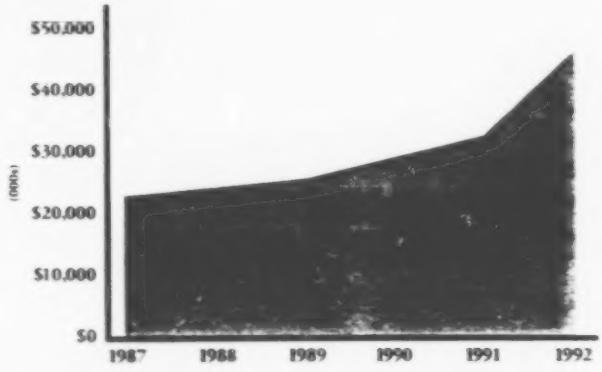
Officers Compensation	$20,555,676
General Wages & Salaries	53,994,690
Direct Labor	23,918,643
Total	$98,469,009

As noted above, these are totals; only some portion of the $98.5 million is earned by Californians. However, as we noted above, since these are largely also California corporations, one would expect that portion to exceed the general apportionment percentage of 78 percent.

UI data constitute another source of wage and salary data for California's musical instrument manufacturers. Recalling that our definition of the industry is more narrow for UI purposes than it is for the FTB data, we see 1992 annual California payrolls totaling about $50 million (see Figure 6.8).

Figure 6.8

1992 California Musical Instrument Manufacturing Establishment Payroll



Combining the UI employment data with the wage and salary data provides us with the average California musical instrument employee wage (net of benefits unless taken in a lump sum). Table 6.7 has the figures: On average, from 1987 to 1992, wages were about $20,000. The average annual increase over that period was 13 percent.

Table 6.7

California Musical Instrument Wages and Salaries, Employment, and Average Wages: 1987 to 1992

	1987	1988	1989	1990	1991	1992	Average
Wages and Salaries (in thousands)	$24,110	$25,155	$26,200	$28,842	$33,160	$47,202	$30,950
Employment	1,355	1,433	1,440	1,415	1,481	1,938	1,510
Average Wage	$17,793	$17,553	$18,195	$21,119	$22,390	$24,402	$20,242
Percent Change	21.3%	2.4%	2.6%	10.1%	40.5%	41.5%	12.9%

Making Acoustic Guitars: An Example of a California Manufacturing Industry

The interconnections between arts, entertainment, and manufacturing can be illustrated by California's acoustical instruments manufacturing enterprises. First, we should note that the state has an unusually large number of guitar builders. KPMG estimates that there are about 35 enterprises dedicated to the crafting of acoustic guitars.[10] Sales of their products also generate a healthy after-market, which caters to California firms. A partial listing of specialist California accessory producers is provided in Table 6.8.

Table 6.8

Examples of California Guitar Accessory Manufacturers

Company	Product	Location
L.R. Baggs	Pickups	Nipomo
Bartolini	Pickups	Livermore
Climate Case	Cases	Grass Valley
Donnell Enterprises	Microphones	Chico
Dean Markley	Strings, Pickups	Santa Clara
Seymour Duncan	Pickups	Santa Barbara
The String Letter Press	Acoustic Guitar Magazine	San Anselmo
Third Planet, Corp	Cases, Accessories	City of Industry
A & S Case Company, Inc.	Cases	Hollywood
Anvil Cases	Cases	City of Industry
Barcus-Berry	Pickups	Huntington Beach
Ernie Ball	Strings	San Luis Obispo
Blue Note Music Products	Straps	Sacramento

California's guitar builders supply musical instruments to performers of renown. Danny Ferrington, for example, has made guitars for Eric Clapton, Waylon Jennings, Johnny and Rosanne Cash, Linda Rondstadt, Jackson Browne, Albert Lee, Emmylou Harris, and John Prine. These customers constitute only a partial listing of his clientele.[11] Dan Crary, a master of Bluegrass styles, plays a Taylor guitar, and Tony Rice, accomplished acoustic stylist, has endorsed Santa Cruz Guitar Company products.

Not only are California's guitar builders putting their products into the hands of artists throughout the state and elsewhere, they are themselves carrying on a long artistic tradition passed down from Spanish craftsmen. In virtually every case, they are making a product that both sounds and looks beautiful. Thus, there is art in both the production and the consumption of the product.

The Santa Cruz Guitar Company is a good example

of California's acoustic guitar producers. The company was founded in 1976 by the present owner and two associates. Today it employs nine full-time and two part-time luthiers, a business manager, and the owner. Santa Cruz guitars are well-known throughout the United States and beyond and sell for an average of $3,000 at retail. Annual production, depending upon the extent of custom orders, is between 400 and 600 instruments. As a by-product, over the years Santa Cruz employees have moved on to found their own acoustic guitar businesses. For example, Michael Hornick, a former Santa Cruz Guitar Company employee now located in Avery, California, does business under the name Shanti Guitars.

The Santa Cruz Guitar Company represents a labor-intensive combination of capital and labor employed in guitar-making. Another noteworthy California firm, Taylor Guitars, makes quality instruments using a higher capital-to-labor ratio. Taylor was founded in 1974 by California luthier Bob Taylor.[42] The company uses accurate, computer-controlled woodworking machinery as a partial substitute for intensive hand labor. Ninety employees produce about 8,000 guitars annually, about twice the average output per employee at Santa Cruz. Taylor guitars, priced between $1,200 and $3,000, represent innovations in acoustic guitar manufacturing, such as slim, fast-playing, bolt-on necks, that have been adopted by other U.S. guitar manufacturers.

Summary

A recurring theme of the economic impact study in this report is the need to understand the complex connections binding together the broad arts and entertainment worlds. It is important to remember that, in general, we can assure macroeconomic prosperity only by careful attention to underlying microeconomic activities. In this case study we undertake to sketch out only one of the many interrelationships between the arts and the economy of California.

With some noteworthy exceptions, musical instrument manufacturing in the state is conducted by small- to medium-size establishments, establishments that do not directly employ substantial numbers of Californians. However, even a conservative estimate of the industry's annual California spending shows about a half a billion dollars of goods, services, and labor purchases. It is a growing industry that draws on two key aspects of California's economy — the sheer size of the state's entertainment industry and the proliferation of consumer electronics manufacturers.

Appendix 6A: California Counties and Apportionment Data

Table 6A.1

California Counties

Alameda	Kings	Placer	Shasta
Alpine	Lake	Plumas	Sierra
Amador	Lassen	Riverside	Siskiyou
Butte	Los Angeles	Sacramento	Solano
Calaveras	Madera	San Benito	Sonoma
Colusa	Marin	San Bernardino	Stanislaus
Contra Costa	Mariposa	San Diego	Sutter
Del Norte	Mendocino	San Francisco	Tehama
El Dorado	Merced	San Joaquin	Trinity
Fresno	Modoc	San Luis Obispo	Tulare
Glenn	Mono	San Mateo	Tuolumne
Humboldt	Monterey	Santa Barbara	Ventura
Imperial	Napa	Santa Clara	Yolo
Inyo	Nevada	Santa Cruz	Yuba

Figure 6A.1

California: Selected Counties

Table 6A.2

Apportionment Example

Factor	Total	California	Percentage
Property			
Buildings	100	90	
Machinery	50	40	
Inventory	50	45	
Subtotal	200	175	
Payroll	100	90	70.0%
Sales	400	375	40.0%
Total			272.0%
Average (Total/3)			90.7%

Notes

1 The Employment Development Department collects this information in cooperation with the Department of Labor, Bureau of Labor Statistics (BLS).

2 The industry designation 3931 defines musical instrument under the standard industrial classification system (SIC). SIC 3931 includes all forms of musical instruments, but not electronics products such as amplifiers. Musical instrument firms filing California state tax returns would likely select either 3998, "other manufacturing products," or some electronics industry code.

3 *Who's Who*, The International Music Products Association, 1993.

4 Employment includes all full- and part-time personnel.

5 Payroll is wages and salaries including lump sum payments for such things as bonuses or vacation time converted to a payment.

6 The exact rule followed by the BLS is as follows: If a firm has more than one location (establishment), they are requested to designate one as the primary location. If the sum of all employees at non-primary locations exceeds 10, the employer is requested to file a supplementary form for the other locations. Naturally, the BLS realizes that there are businesses for which the UI data, while embracing all employees and their wages, may not count all establishments due to under-reporting.

7 For example, a sole proprietorship, or a partnership not publicly traded.

8 Office of Management and Budget, *Standard Industrial Classification Manual*, 1987, page 12.

9 Business income is only that income "arising from transactions and activities in the regular course of the corporation's trade or business."

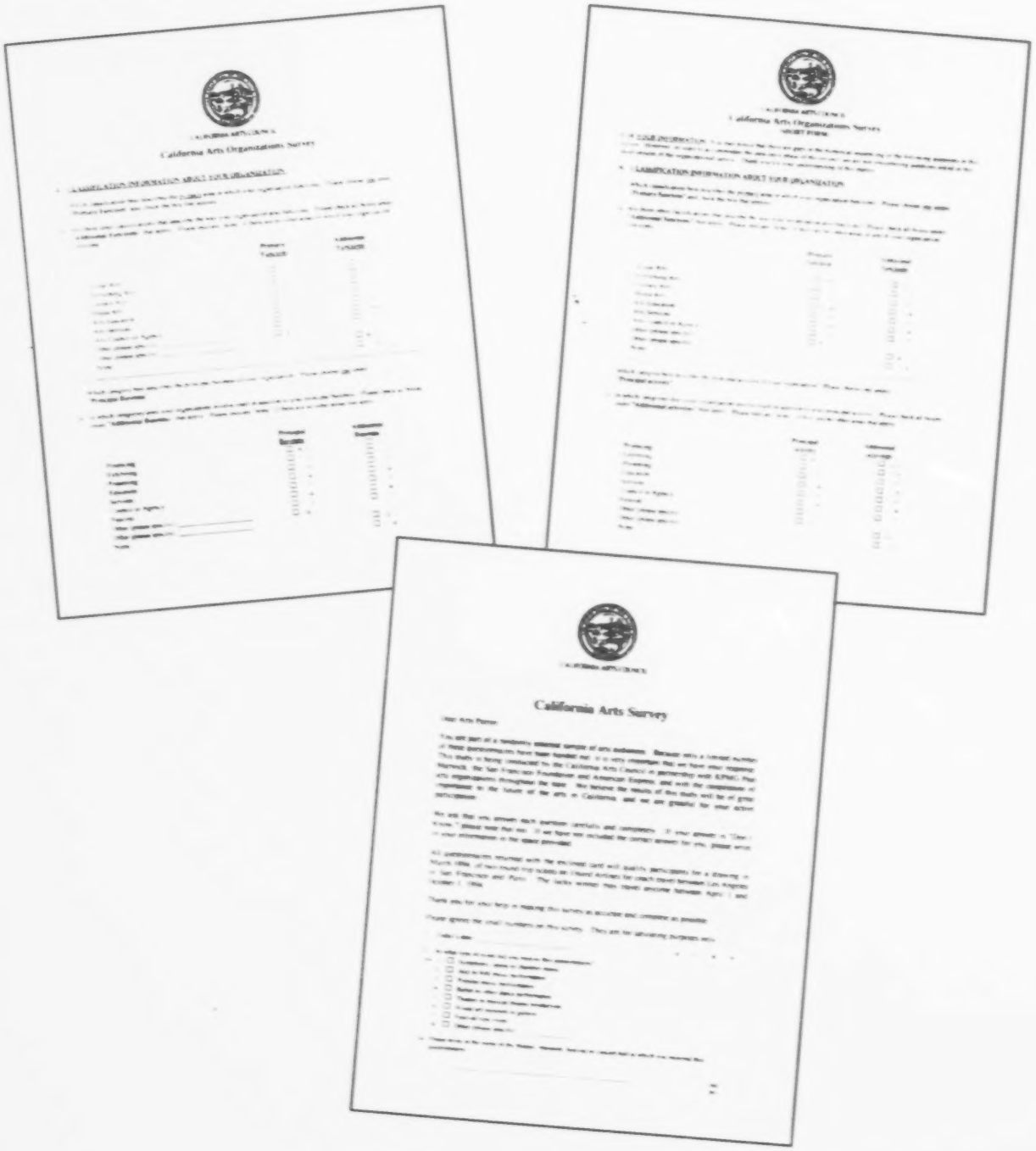
10 This figure excludes large firms such as Yamaha, that build a variety of instruments and manufacture guitars as well, but it includes individual craftsmen who make electric as well as acoustic instruments. The list is not intended to represent only those establishments making custom guitars by hand (Taylor Guitars of El Cajon, a quality guitar builder employing precision automated manufacturing techniques, is included), but this list is intended to encompass only guitar-makers.

11 A masterful self-promoter, the Santa Monica-based Ferrington has produced a book and a CD featuring his guitars played by their famous owners. See Ferrington Guitars, Harper Collins Publishers, 1992.

12 This section was drawn from "Taylor Made," by Richard Johnson, *Acoustic Guitar*, Vol.5, No. 2, Issue 26, September-October 1994, page 13.

Sample Survey

To receive a full set of questionnaires used in this study, call or write the California Arts Council at: 2411 Alhambra Boulevard, Sacramento, California, 95817-1100, (800) 201-6201.



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Chapters were prepared by:

CHAPTER 1

The Economic Impact of Arts in California
by Dr. Stephen Pollock, Senior Manager, KPMG Peat Marwick LLP

The following KPMG staff also contributed ideas and information to this chapter: Michael Vlaisavljevich, Director, State and Local Services, and Gang Shao, Senior Consultant.

This report was prepared for the California Arts Council by the Policy Economics Group of KPMG Peat Marwick LLP. The primary purpose of the report was to measure the economic contribution of the arts to the California economy. This research was performed in conjunction with Facts Consolidated, Inc., whose conduct of comprehensive surveys of California arts organizations, and of the audiences of certain arts events, form the statistical basis for the economic impact study. Their contribution included a survey plan, data collection, and tabulation specifications. Data entry was performed by California Research Services, Inc.

CHAPTER 2

The Artist in Los Angeles County
by Laura Zucker, Executive Director, Los Angeles County Music & Performing Arts Commission

The Los Angeles Music & Performing Arts Commission administered survey design, implementation and reporting. Facts Consolidated, Inc., provided consultant services on survey design and tabulation specifications. Data entry was performed by California Research Services, Inc.

Mailing lists of artists were generously provided by: Screen Actors Guild, Barry Gordon, President; Musicians Union Local 47, Bill Peterson, President; Community Arts Resources, Aaron Paley, President.

The Los Angeles County Music & Performing Arts Commission fosters excellence, diversity, vitality and accessibility of the arts for the County of Los Angeles. The Commission plays a leadership role in cultural services for the county, providing networking, information and resources to the community, artists, arts organizations and municipalities.

CHAPTER 3

The Motion Picture and Television Industry in California
by Dr. Richard Boykin, Partner, KPMG Peat Marwick LLP

Essential data was provided by the California Franchise Tax Board under the direction of George Ramsey, Research Manager.

CHAPTER 4

Seven California Festivals: The Arts as an Economic Partner
by Petra Schumann, Consultant, California Arts Council

"Would you like to fill out a survey?" That question was asked many times in the course of this study by the following individuals:

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CHAPTER 5

Art and Auto Design in California
by Robert Andrews, The Anderson Graduate School of Management, UCLA, and Ron Hill, Art Center College of Design

The Anderson Graduate School of Management's mission is to perform outstanding substantive scholarship enhancing the world's base of knowledge about organizations, their environments and their management and transmitting this knowledge to students, alumni/ae, executives and the public.

The Art Center College of Design is an independent, nonprofit, four-year college specializing in professional education in art and design. Art Center offers a Bachelor of Fine Art or Bachelor of Science degree in nine majors: Advertising, Film, Fine Art, Graphic and Packaging Design, Illustration, Transportation and Yacht Design, Product Design, Environmental Design and Photography. Graduate programs are also offered.

CHAPTER 6

Musical Instruments: A Manufacturing Industry in California
by Dr. Richard Boykin, Partner, KPMG Peat Marwick LLP

Essential data was provided by the California Franchise Tax Board under the direction of George Ramsey, Research Manager.

Audience Survey Participating Organizations

American Conservatory Theatre (A.C.T.), San Francisco

Asian Art Museum of San Francisco, San Francisco

Bilingual Foundation for the Arts, Los Angeles

California African American Museum, Los Angeles

Chico City Light Opera, Chico

Christian Community Theatre, San Diego

Climate Theatre, San Francisco

Crocker Art Museum, Sacramento

Colony Theatre, Los Angeles

Dimensions Dance Theatre, Oakland

Egyptian Museum, San Jose

El Teatro De La Esperanza, San Francisco

Exploratorium, San Francisco

Fine Arts Museums of San Francisco, San Francisco

Fresno Metropolitan Museum, Fresno

Gene Autry Western Heritage Museum, Los Angeles

I Cantori de Carmel, Monterey

Kuumbwa Jazz Center, Santa Cruz

La Mirada Theatre, Los Angeles

Laguna Playhouse, Laguna Beach

Long Beach Civic Light Opera, Long Beach

Los Angeles County Museum of Art, Los Angeles

Los Angeles Master Chorale & Sinfonia Orchestra, Los Angeles

Los Angeles Music Center Opera, Los Angeles

Marin Theatre Company, Mill Valley

Melodrama Theatre, Bakersfield

Mexican Museum, San Francisco

Modesto Symphony Orchestra Association, Modesto

Monterey County Symphony, Carmel

North Coast Repertory Theatre, Solana Beach

Norton Simon Museum, Pasadena

Old Globe Theatre, San Diego

Opera Pacific, Costa Mesa

Orange Coast College, Orange

Pacific Asia Museum, Los Angeles

Pacific Symphony Orchestra, Santa Ana

Pantages Theatre, Los Angeles

Petaluma City Ballet, Petaluma

Philharmonia Baroque Orchestra, San Francisco

PCPA Theaterfest, Santa Maria

Radio Bilingue, Fresno

Sacramento Light Opera, Sacramento

Sacramento Symphony Association, Sacramento

Sacramento Theatre Company, Sacramento

San Bernardino Civic Light Opera, San Bernardino

San Bernardino County Museum, Redlands

San Diego Master Chorale, San Diego

San Diego Museum of Art, San Diego

San Francisco Ballet, San Francisco

San Francisco Bay Revels, San Francisco

San Francisco Gay Men's Chorus, San Francisco

San Francisco Symphony, San Francisco

San Jose Civic Light Opera, San Jose

San Jose Cleveland Ballet, San Jose

Santa Barbara Civic Light Opera, Santa Barbara

Santa Rosa Junior College, Santa Rosa

South Coast Repertory, Costa Mesa

Southwest Museum, Los Angeles

Theatre Works, Palo Alto

University of Judaism, Los Angeles

University Art Museum, UC Berkeley

The California Arts Council was established by legislative mandate in 1976 as the state's arts development and policy-making agency. It provides matching grants in various program areas to encourage the development of local arts programs and the employment of artists, and to provide human and social services through the arts in schools and other community settings. The arts funding and policy development activities of the Arts Council help to foster the growth and accessibility of the arts statewide and provide leadership in integrating the arts as problem-solving tools into the economic, social and educational issues facing California.

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California Arts Council
2411 Alhambra Boulevard
Sacramento, California 95817

916 227-2550

OCTOBER 1994

COVER

Richard Diebenkorn
(United States, 1922–93)
Ocean Park Series No. 49 (detail), 1972
Oil on canvas
92 x 81 in. (236 x 205 cm)
Los Angeles County Museum of Art, purchased with funds provided by Paul Rosenberg & Co., Lita A. Hazen, and the David E. Bright Bequest
M.73.96

Richard Diebenkorn, whose name has become synonymous with painting in California, forged close ties with both the northern and southern parts of the state. Images of the landscape and the human figure—representational as well as abstracted—dominate his work. Born in 1922, he grew up in San Francisco and was educated at Stanford and the California School of Fine Arts (where he subsequently taught). After brief periods in New Mexico and Illinois in the early 1950s, Diebenkorn returned to California, where he lived for the rest of his life. Inspired by the northern California landscape until 1966 when he moved to Santa Monica, Diebenkorn is best known for his abstracted views of the landscape painted during his years in Ocean Park (1966–88). In 1988 he moved back to northern California (Healdsburg), where he worked until his death in 1993.

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